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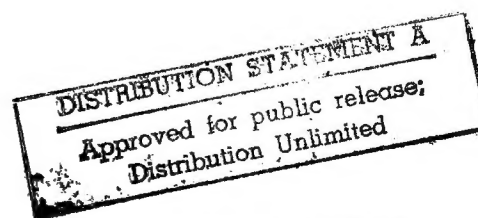


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CONTENTS

9 September 1992

CZECHOSLOVAKIA

| | |
|---|----|
| Polish Ambassador on Czech-Polish Relations [CESKY DENIK 20 Aug] | 1 |
| Czech, Slovak Government Programs Compared [EKONOM 24-30 Jul] | 2 |
| Preparation of Czech Constitution Discussed | 3 |
| Klaus Comments [CESKY DENIK 31 Jul] | 3 |
| Content Described [LIDOVE NOVINY 31 Jul] | 4 |
| Two-House Parliament [TELEGRAF 30 Jul] | 4 |
| President's Role Increased [TELEGRAF 31 Jul] | 5 |
| OH Suggests Provisions for Czech Constitution [INFORUM No 28, 1992] | 6 |
| Anti-Slovak Bias of Czech Media Criticized [SLOBODNY PIATOK 24 Jul] | 7 |
| Communists Seen Infiltrating Slovak Politics | 9 |
| Disguised Neobolshevism [CESKY DENIK 23 Jul] | 9 |
| State-Controlled Economy [CESKY DENIK 25 Jul] | 9 |
| Czech Left's Support [CESKY DENIK 29 Jul] | 10 |
| Economic Institute Income Analysis Published [HOSPODASKE NOVINY 29 Jun] | 11 |
| Extent of Recent Tax Evasion Problems Examined [EKONOM 17-23 Jul] | 13 |
| Effect of New Tax System on Business Viewed [SVET HOSPODARSTVI 9 Jul] | 16 |
| Machine Tool Industry Crisis, Improvements [HOSPODARSKE NOVINY 2 Jul] | 19 |
| Distinctive Features of Slovak Economy Defined [TELEGRAF 18 Aug] | 24 |

HUNGARY

| | |
|---|----|
| MDF Representative, Party Deputy Comments | 25 |
| Liberal Representative Interviewed [FIGYELO 13 Aug] | 25 |
| Vice Chairman Interviewed [TALLOZO 6 Aug] | 27 |
| Media War: Controversy Continues Through Summer | 28 |
| Csurka's Producer Suspended [TALLOZO 13 Aug] | 28 |
| Antall Criticized [TALLOZO 13 Aug] | 28 |
| Soros Influence Criticized [TALLOZO 13 Aug] | 29 |
| SZENT KORONA Editor Romhanyi Arrested | 30 |
| Homicide Alleged [HETI KIS UJSAG 31 Jul] | 30 |
| Independent Denes Comments [TALLOZO 30 Jul] | 31 |
| Right-Wing Disintegration [TALLOZO 30 Jul] | 31 |
| Prosecutor Comments [TALLOZO 30 Jul] | 32 |
| Finance Ministry's Jan-Jun 1992 Report [FIGYELO 13 Aug] | 33 |
| Privatization Trend Seen as 'Renationalization' [FIGYELO 6 Aug] | 34 |
| Transformation of Cooperatives Enters New Phase [UJ MAGYARORSZAG 6 Aug] | 36 |
| Building Industry, Hotel Privatization Discussed [TOZSDE KURIR 30 Jul] | 37 |
| DIMAG Criminal Negligence Case Goes to Court [HETI VILAGGAZDASAG 1 Aug] | 38 |

BOSNIA-HERCEGOVINA

| | |
|--|----|
| Data on Camps for Serbs in Tuzla Area [POLITIKA 13 Aug] | 41 |
| NIN Fact-Finding Trip to Bosanska Krajina Camps [NIN 14 Aug] | 41 |
| Conditions in Camps in Bosnia-Herzegovina [NIN 14 Aug] | 42 |

CROATIA

| | |
|---|----|
| Serbian Side Fails To Implement UN Plan [NOVI VJESNIK 21 Aug] | 46 |
|---|----|

SLOVENIA

| | |
|--|----|
| Two Slovenia-Hungary Border Crossings Open [DELO 22 Aug] | 47 |
|--|----|

| | | |
|--|--------------|----|
| Return of Church Property To Be Negotiated | [DELO 8 Aug] | 47 |
| Options for Revitalizing Ironworks Discussed | [DELO 8 Aug] | 48 |

YUGOSLAVIA

| | | |
|---|-------------------------|----|
| Prisoners, Doctor Interviewed at Manjaca Camp | [MAGYAR SZO 24 Aug] | 52 |
| Eyewitnesses to Celovina Prison Mistreatment | [POLITIKA 21 Aug] | 53 |
| Muslim Refugees Arriving in Montenegro | [POLITIKA 21 Aug] | 54 |
| Decision on 'Settling Situation' in Kosovo | [BORBA 22-23 Aug] | 55 |
| Sweden Expels Albanian Refugees From Kosovo | [Paris LE MONDE 21 Aug] | 55 |
| 'Wise' Policy on Serbs in Croatia Urged | [VREME 17 Aug] | 56 |

Polish Ambassador on Czech-Polish Relations

92CH0893B Prague CESKY DENIK in Czech
20 Aug 92 pp 1, 3

[Interview with Jacek Baluch, ambassador of the Republic of Poland, by Petr Wawrosz; place and date not given: "The Goal: Good Mutual Relations"]

[Text] [Wawrosz] How would you evaluate the current relationship between Czechoslovakia and Poland?

[Baluch] I believe that our relationship is good, in fact very good. The relationships are developing particularly in the political area, in the area of mutual security, but are falling slightly behind in the area of economics.

[Wawrosz] How does the Polish Government view the possible partition of Czechoslovakia?

[Baluch] Poland expects that if partition does occur it will be peaceful. As far as the succession goes, we expect that the Czech and the Slovak Republics will take on their mutual obligations with solidarity. I do not believe that it would be good if some kind of asymmetry developed here and I know that the majority of seriously thinking Czecho-Slovak politicians favor agreement. In the area of international treaties, there will be a number of problems, but if all sides exhibit goodwill, it will surely be possible to solve these problems. I am also convinced that our mutual relationships will be good even after a possible partition, although the litmus test for the relationships involving the successor states in world terms will be the Czecho-Slovak relationship itself. Poland and Austria can, because we are adjacent both to the Czech lands and also Slovakia, play a kind of role of a first bridge with respect to the rest of the world.

[Wawrosz] What do you think of the future of the so-called Visegrad troika?

[Baluch] I believe that the current Czech representation is gradually understanding the importance of the Visegrad-type cooperation better. Various negotiations, even those in the area of economics which have to do with, say, the liberalization of trade, have advanced greatly and we expected that this agreement would be concluded at the expert level by the end of September. The partition of the state can result in a delay, but as long as the relationship between the Czech Republic and the Slovak Republic will be at the level of European standards, this should not be a threat to signing the treaty among all countries of the Visegrad area and it could in fact happen that some subsequent Czecho-Slovak problems could be solved within the framework of this broader region.

[Wawrosz] Do you sense any problems affecting the Polish minority in the CSFR?

[Baluch] Poles live particularly in the Tesin area, where 70 percent of all Poles in the CSFR reside; this is a special minority that is vital, has its own schools, theaters, and cultural associations. Support for this minority cannot be merely a matter for the states, there

are even various endowments present, etc. Of course, minor problems do exist; the more specific problems have, for the most part, been resolved.

[Wawrosz] Enterprises in the CSFR formerly quite often employed Polish citizens. What is the situation today?

[Baluch] In a certain way, Polish nationals used to be a cheap source of labor; after realizing the Polish reform, this advantage fell away to a significant extent. Currently, a maximum 7,000 individuals are working here.

[Wawrosz] A number of regions exist along our common borders. I would like to begin by mentioning the ecological and tourist regions—the Euroregion of Nisa, the Giant Mountains (Krkonoše), and the High Tatras....

[Baluch] These regions do in fact have an entire series of ecological problems. The development of collaboration is also being retarded by the fact that a number of crossing points are missing.... Many of them could actually be opened as early as tomorrow. But although the Polish-Czechoslovak border was more conflicting, for example, before the war than it is now, there nevertheless existed unrestricted small-scale border contact; I thus do not understand what stands in the way of the possibility of learning about the other country without border crossing points in tourist regions.

[Wawrosz] The regions are not only ecological, but also economic—the Ostrava area, Kladsko....

[Baluch] Cooperation is developing in the Kladsko region and it is interesting that whereas the population there was previously afraid of being bought out and did not particularly desire collaboration is now calling for it.

However, the expansion of cooperation is being retarded by the fact that in Czechoslovakia as well as in Poland there exists an asymmetry with respect to territorial arrangements. At first glance, this would appear to be a trivial matter, but it turns out that this is not the case. Right now, Poland is preparing to reform the territorial administrations; I believe the same will also occur in the Czech Republic. I believe that there should be a certain amount of coordination in this area. In Poland, for example, I believe that three regions could come into being near the border—Lower Silesia, Upper Silesia, and Krakov (Small Poland), which could cooperate with the individual territorial units of Bohemia, Moravia, and Slovakia. In the Ostrava region, consideration is being given both to establishing a zone of free trade, but also to the construction of a joint airport. This region, together with Katowice, is definitely one of the largest European industrial regions which should be developed jointly, despite a number of problems many of which are particularly ecological in nature.

[Wawrosz] Do you consider the information structure between our two countries to be adequate?

[Baluch] Economic cooperation should develop spontaneously, the initiative of enterprises is primary, but it depends on the political will of the state, particularly

with respect to legislation. The information network is definitely not adequate. For example, the Bank of Commerce has no representatives in Warsaw; just like the Polish Bank Handlowy S.A. is not represented in Prague.

[Wawrosz] How have the negotiations regarding the development of transportation networks progressed?

[Baluch] In view of the partition of the CSFR which is being considered, as well as in view of creating a joint Visegrad area, the development of transportation communications is essential. There are a number of projects, for example, the Vienna-Vratislav Highway, the Polish side would welcome it if Slovakia were opened up more for transit, a key question remains the problem of assuring financial resources.

[Wawrosz] Can you compare the Polish and Czechoslovak economic reforms?

[Baluch] In my opinion, the Czechoslovak reform is more consistent; Polish society is perhaps more scattered and we are encountering problems with, say, privatization, which is being resisted by many citizens. Before the reform, there was deep crisis in Poland; that is also why the reform progressed more energetically so that in some areas—for example, with respect to the convertibility of the currency—the Polish reform continues to be more rapid. A whole lot of Polish citizens are already better off, purchasing power of the citizenry is rising, the private sector has expanded, and only last year more than 1 million jobs were created. Our problems involve the large and less efficient state enterprises and the fact that far too many people are working in agriculture.

[Wawrosz] In conclusion, I would like to pause over the personality of Cardinal Tomasek....

[Baluch] When President Walesa found out about the cardinal's state of health, he showed a great deal of interest. He attended the cardinal's funeral not only as president, but also as a representative of those Polish nationals who very much valued the cardinal as a personality, whose importance crossed the borders of the diocese as well as of the country in which he was active. President Walesa was thus in Prague for the fourth time in a period of 14 months—something that I believe attests to the close mutual relationship between our two countries.

Czech, Slovak Government Programs Compared

92CH0864A Prague EKONOM in Czech
No 30, 24-30 Jul 92 p 5

[Editorial by Aram Simonian: "Two Programs"]

[Text] The government programs of the Czech and of the Slovak Republics signify a differing economic development for both portions of the former federation. And this is true despite the fact that both take as their goal a market economy (the Slovak, with a greater emphasis on social and ecological directions), the revival of the

economy, additional privatization and price liberalization, the influx of foreign capital, the stability of the currency, and cuts in budgetary expenditures.

The fundamental difference already lies in the way the existing progress of transformation is being evaluated. While the Czech Government considers it to be a great success that deep changes in the economic system were accomplished without any serious destabilizing influences, that a firm monetary rate of exchange was successfully maintained, and that the unleashing of inflation was prevented, the Slovak Government pays primary attention to the negative impacts of these measures on the Slovak economy and on Slovak society.

The different evaluations also lead to different methods for further progress. The Czech Government considers the existing pace of the reform to be the lowest acceptable limit and is striving to accelerate and intensify the entire process. The government of Prime Minister Meciar, on the other hand, is primarily interested in preventing the disruption, which, in its opinion, threatens the Slovak economy given the existing pace of changes. Therefore, it considers its priority task to be the recovery of the disrupted economy and its stabilization as an essential prerequisite for further development.

The differences in both programs are a logical consequence of a unified transformation scenario applied to differing economic entities. The very opening steps of the marketing system have revealed the greater weaknesses of the Slovak economy—a paradoxical result of that which is customarily stressed by the western portion to be unselfish assistance rendered to Slovakia. Over 42 years of central planning, Slovakia recorded a noteworthy degree of balance regarding industrialization and the standard of living involving the western portion of the state on a worldwide scale. Average wages, which according to official statistics, amounted to only 87.8 percent of the level of wages in Bohemia and Moravia in 1950, had reached a level of 99.1 percent of that level in 1990. However, the obverse side of this development is the fact that a large portion of the industry, which had been developed in Slovakia with Czech assistance, is not viable under natural economic conditions according to the views of the system which oversees fundamental economic laws. The population of Slovakia had lived in a common greenhouse of real socialism without any sedulousness on its own part more or less at the expense of its fellow citizens in the Czech lands, where the system was able to create fewer of its monuments. The credit involved in new single-family dwellings in Slovak cities having problematic heavy or armaments industries is, thus, actually greater than the owners of these dwellings realize. However, who should be blamed now that the truth is coming out, after the greenhouse has been smashed? Should Prague be to blame where the former governors were in excess supply?

The Slovak side contends, and in my opinion justifiably so, that the progress of the economic transformation, which has taken place thus far, has been unfavorable for

Slovakia. If both sides intend to preserve the common state, Slovak losses resulting from the rapid progression of changes would need to be compensated for by the Czech Republic or the pace and character of the transformation needs to be adapted to Slovak conditions. However, the Slovaks are now interested in achieving national emancipation by gaining independence, even at the cost of any possible economic losses. Otherwise, they would not be proposing to enunciate the principle "every man for himself." Consequently, it would be unrealistic for the Czech side to count on maintaining the joint state on the basis of economic advantages in Slovakia. The demand to slow down the transformation of the economy in the Czech Republic in this situation is, thus, either an expression of unacceptable altruism—or a desire to put an end to this policy altogether.

Preparation of Czech Constitution Discussed

Klaus Comments

92CH0839A Prague CESKY DENIK in Czech
31 Jul 92 pp 1, 2

[Article by Czech Prime Minister Vaclav Klaus: "Will We Have Success With the Czech Constitution?"]

[Text] Just a year ago (or perhaps only a few months ago?) we frowned on the mere mention of a Slovak constitution and displayed not the slightest inclination to create a Czech constitution. We regarded the federation as the most suitable mechanism, or put differently, method of organizing the mutual shared life of two countries, different in some ways yet connected by a thousand links, the Czech and Slovak Republic, and we had no reason—in spite of the hardly imperceptible and unfortunately growing disagreements—to change anything in the fundamentals of this organization. We did not view the existing heterogeneity—in language, history, culture, politics, or economics—as a decisive obstacle to continuing our shared life. We knew that 90 percent of all countries in the world are multinational, that virtually every country has a formidable structural problem: between north and south, cities and countryside, rich and poor, larger and smaller nations or nationalities, and so on and so forth, and therefore we believed that it would be possible—provided a reasonable and generous sharing of powers—to preserve the common state. It has not happened, today we no longer believe it possible and as much as we regret it, we conduct ourselves accordingly. We are being criticized by those who never had the ability and courage to accept reality as it is, who always—armed with the only correct ideological doctrine—imagined and still imagine that the world is different from what it ought to be and especially from what they would wish it to be. The hypocrisy and falseness of their approach can best be demonstrated by recalling their ever-repeated, arrogant assertions that "the Slovak voter didn't know what he was doing" (whereas they all knew it very well!).

I am convinced that the Slovak voter knew well what he was voting for, that he voted in the hope of voting for a better tomorrow, that he voted for national emancipation, that he voted for a strong leadership personality, that he voted for "enough of Prague"—simply that he voted like any other voter in any other country. Questioning his choice is a symptom of extraordinary insensitivity and survival of the Czech proclivity to lecture. We have to finally drop it, even if we view things differently.

Because of what has happened we will have to have a Czech constitution and we will have to prepare it with the utmost care. We must not make any mistake because a constitution is written for the long term and because it must firmly anchor the Czech statehood and the basic rights and obligations of citizens. Our constitution must place the citizen, the individual, into the center of all things, it must predetermine the functions of the state but this time of a "minimal" state little visible and heard, and especially define the rights and obligations of citizens so as to make paramount the rights allowing the individual to act and rights protecting the individual from other individuals, groups of individuals or the state, as opposed to rights promising something or rights establishing claim to something material, concrete. Only the first are liberal rights. The others have their roots in the socialist delusions which in the 20th century afflicted the entire world and us in an even greater extreme.

At a recent press conference I was asked whether the new constitution will establish, for instance, a right to information. This question inevitably raises further questions. To what kind of information? To whose information? Who will determine which information is right and necessary and which is not? To how much information is a person entitled? I was understandably very disturbed by this question because I know that it is possible (although far from easy) to guarantee freedom but impossible to guarantee "information" (or a perfect environment, or health, or decent housing, or anything of this kind). I can already hear the opposition's counterattack, but before its gunners unleash their characteristic cannonade I should like to point out what is of the essence. I can imagine, in the economist's lingo, a right to offer information, that is a right to create and disseminate information, I can imagine a right to seek and consume information, but I cannot imagine a right to information as such. There is a huge difference between the two and it accurately reflects the fundamental ideological contrast between the liberal and the socialist doctrine.

For these very reasons the Czech constitution must not become a mere technical-organizational document listing the specific bodies of legislative, executive, and judicial power and their mutual relations, but rather anchor a wholly different concept of fundamental civic rights (and obligations) from those to which we became accustomed for long under socialism and which we have internalized (and subconsciously accepted) to a greater degree than we are willing to admit. Every constitution

must come to terms with the eternal contest over the relative weight of substantive and procedural prescripts of a democratic system and it is something we too have to deal with. Right now is our historical opportunity.

Content Described

92CH0839B Prague *LIDOVE NOVINY* in Czech
31 Jul 92 p 3

[Article signed by cipher (jBs): "Sovereign, Democratic State"]

[Text] The foundation of the state is the free citizen participating in the governance of the state by elections and through bodies of legislative, executive, and judicial power. So states the preamble of a conceptual draft for the Czech Republic constitution.

It characterizes the Czech Republic as a sovereign, unitary, democratic law-governed state based on respect for civic rights and liberties which are part of the international human rights standards.

Legislative powers over the entire Czech Republic territory are to be exercised by a single legislative body—a bicameral parliament. A house of deputies exercises functions equivalent to those of the present CNR [Czech National Council]. It is elected in the same way as the CNR deputies. The house of deputies alone can pass a vote of no confidence in the government, and only in the entire cabinet, not its individual members. Only the house of deputies may be dissolved, either by its own decision or in precisely defined cases by the president.

The senate in its composition reflects the country's regional arrangement: Each region has the same number of representatives (senators) in the senate. The election is direct. The senate can initiate legislation and in constitutionally defined cases can exercise a suspensory veto. It is empowered to review and approve important international agreements. It assumes certain rights and obligations of the president in case the post is vacant. The powers of the senate include the right to nominate part of the judges of the Supreme Court and Constitutional Court. The senate has the power to conduct legal proceedings against the prime minister and members of the government. Unlike in the previous arrangement, the house of deputies and the senate are permanently in session.

The highest body of executive power is the government with a prime minister at its head. It is accountable to the house of deputies. The prime minister and other members of the cabinet suggested by him are nominated by the president. The president recalls members of the government only at the prime minister's request. In cases defined in the constitution the president may appoint a civil servants' government. The prime minister hands his resignation to the president. The government may issue decrees on implementing laws and within the scope of the laws.

The head of the state is the president elected for a five-year term by both houses of the parliament in a joint session. A candidate may be elected only twice for successive terms of office. The constitution will include a specific enumeration of the powers of the president and at the same time define the cases in which the president's action is subject to countersignature by the prime minister. The president's powers include the right of a suspensory veto under the same conditions and within the same time limits as in the case of the senate. The president is exempt from legal prosecution. The constitution defines the circumstances in which the president, the prime minister, and chairmen of both houses of the parliament meet in a joint session on matters of grave political importance.

The Czech Republic is to consist of communities and higher self-governing territorial units (regions, krajs). This system will be presided over directly by the Czech National Council. A self-governing territorial unit is to be administered by a board of representatives [zastupitelstvo]. The board's powers can be defined solely by law. Its members are to be elected by secret vote on the basis of universal, equal, and direct voting right. The state administration will not be symmetrical with the Czech Republic's self-governing territorial arrangement.

The constitution will contain provisions for transforming the federation into the Czech Republic in regard to the continuity of the legal order. Matters connected with the federation's dissolution will be resolved by CNR legislation proceeding from the law on terminating the federation passed by the Federal Assembly.

Two-House Parliament

92CH0839C Prague *TELEGRAF* in Czech
30 Jul 92 p 1

[Article datelined Prague (jak): "Bicameral Czech National Council"]

[Text] The conceptual draft of a Czech constitution reviewed yesterday by the Czech Government for the second time was not accepted after the discussion. Czech Prime Minister Vaclav Klaus (ODS [Civic Democratic Party]) said yesterday at a press conference: "The government nevertheless adopted certain guidelines for the Government Commission for Preparation of a CR [Czech Republic] constitution: The Czech constitution will have two main parts. The purpose of the main part will be to define the relations between the state and the citizen, and the second part will define the structure of the state bodies and their interrelationships."

The essential point is the bicameral concept of the new parliament. The House of Deputies is to exist in its present form; the new element will be an upper house—the Senate. This should reflect the regional structure of the country and result from direct elections taking place at a different time from elections to the House of Deputies.

According to V. Klaus, a charter of fundamental rights and liberties (LZPS) should be worked directly into the constitution. Merely attaching an LZPS to the Czech constitution while the document is being drafted would in this view miss a unique opportunity to create a CR constitution as our own and original.

The CR president is to be elected by a direct vote according to the government's proposal. Czech Deputy Prime Minister Jan Kalvoda (ODA [Civic Democratic Alliance]) added that the new Czech president should have all the powers typical of a head of state. A "novelty" in his view would be the president's power to dissolve the parliament in precisely defined circumstances (in the event of a constitutional crisis). Vis-a-vis the house of deputies the head of state should also have the power of a suspensory veto.

V. Klaus said further that the government recommends a two-tier territorial self-government arrangement. "The community should be the basic unit; the next above should be a 'higher level' than the present okres. Then the next level up will be only the Czech National Council," said the prime minister and continued, "so clearly we are offering the variants of krajs, regions, provinces, and the like—that is, a kind of a second floor above the community level." V. Klaus also said that in this perspective the state administration need not be symmetrical with the CR's territorial self-governing arrangement. Asked if this proposed model precludes the possibility of constituting a Province [Zeme] of Moravia-Silesia, J. Kalvoda replied, "The proposal does not preempt anything, this matter included."

J. Kalvoda believes that the CR constitution might be completed by the end of August. "But it is not necessary; we do not commit ourselves to it. A document of such importance cannot be the priority tool for resolving internal Czechoslovak problems," said the Czech deputy prime minister. In his opinion the Slovak Republic's constitution draft offers no inspiration whatever for formulating the Czech constitution. V. Klaus refused to comment on the Slovak constitution draft explaining that he had not read it.

As for other matters, the CR Government approved the proposal for a new mechanism of reviewing and approving privatization projects in the CR. This measure should help to accelerate completion of the privatization process and make privatization methods less transparent. Privatization projects subject to Czech Government approval will continue to be approved by a government privatization commission instead of the Economic Council of the CR Government.

President's Role Increased

92CH0839D Prague TELEGRAF in Czech 31 Jul 92 p 3

[Commentary by Jiri Sindelar: "Constitution Made to Measure"]

[Text] A single-chamber or bicameral parliament? Direct election of the president and increased presidential powers, or a president who "only lays wreaths?" Take the charter of fundamental rights and liberties over from the federal Constitution, or exercise "more caution" in formulating it? The government commission for preparing a Czech constitution is somewhat ponderously deciding between the alternatives and its parallel commission of the Czech National Council will have to postpone its review already for the second time. Legal experts and representatives of the government coalition must crack a few very hard nuts and it does not surprise that some sparks fly on occasion. The differing views of both experts and politicians reach the public only sporadically yet the repeated nonapproval of the constitution's theses by the Czech Government indicates that there are fundamental disputes within the government commission. The duel over the Czech constitution was moreover joined by Vaclav Havel as a serious candidate for the post of Czech president.

The government commission's original proposal was for a single-chamber parliament with an increased role for the president in the constitutional system. Advocates of that constitutional arrangement point to the efficient manner in which a single-chamber parliament debates and approves legislation, and conversely they belittle the importance of the parliament's second chamber as a somewhat superfluous part of the legislature. On the other hand the utility of the Senate is seen by its supporters in the ability to secure both political and legislative continuity during the election terms of the House of Deputies. A senate usually has the power of a suspensory veto, meaning that in the event of a nonapproval of legislation presented by the chamber of deputies such legislation must be approved by a larger majority of votes in a second round of voting in the House of Deputies.

The way in which the parliament is set up impinges on the extent of the powers wielded by the president who in the case of a single-chamber parliament may have vested in his person certain powers exercised by the Senate. For this reason too advocates of a single-chamber parliament put forward the requirement that the president not only be given the power of a suspensory veto and dissolving the parliament in certain cases, but also that he should be elected by direct vote.

The conclusions reached Wednesday [29 July] by the Czech Government bespeak an unconventional compromise between the two models of constitutional arrangement. It is proposed to set up a second chamber of the parliament but at the same to increase the president's role in the constitutional setup. The president is elected indirectly by a parliament vote but has the power of suspensory veto of legislation that is adopted. Thus in this version the president is one way or another placed on the level of the Senate, but his sovereignty is derived from the parliament. Fears that the Czech constitution would be made to fit the shape of today's political scene

and the former federal president, so far supraparty Vaclav Havel, have been confirmed.

In parliamentary systems it is customary that the President is a full-fledged part of the executive and thus is also a "party man." A bicameral parliament with defined powers of the Senate and the indirect election by deputies place still greater emphasis on the President's party affiliation. But the proposed powers at the disposal of the Czech president indirectly "reckon" with an above-party president, independent of the parliament's composition. In view of his popularity Vaclav Havel remains the most serious candidate for the presidential office and apparently heed was paid to his request that he not be only a president "who lays wreaths." Yet it cannot be assumed that he will become member of one of the present parliamentary parties. Similarly it is not likely that in time there will appear on our political scene another "one-man party" enjoying sufficient support for a later succession to Vaclav Havel in the presidential post. An eventual future party-affiliated president would thus concentrate inordinate power in his hands and the entire constitutional system would emerge strongly deformed.

But there remains one more, somewhat fanciful, solution which may temporarily stave off such a state of affairs. It is to draw "inspiration" from the Constitutional Charter of 1920 and grant the first president the highest office in the land for life.

OH Suggests Provisions for Czech Constitution

92CH0882B Prague INFORUM in Czech
No 28, 1992 pp 4-5

[Commentary by Vaclav Zak and Pavel Rychetsky dated 9 July: "Proposed Principles for the Constitution of the Czech Republic"]

[Text] In proposing the Constitution of the Czech Republic, it is necessary to start with the fact that we are a posttotalitarian country in which well-versed democratic mechanisms do not exist. If we are not to achieve democracy laboriously by way of a new authoritarian regime, we must create the institutions and mechanisms that will precisely regulate the relationship between the fundamental pillars of power and, which will, at the same time, protect the citizen against the incursions of the state. In the democratic nations, two fundamental models for constitutional systems have developed—the parliamentary and the presidential. Neither is "more democratic" than the other, it is only a matter of a different concept for the creation and structuring of state power. In view of the traditions of Czech statehood and in view of European experiences, the OH [Civic Movement] prefers a system of parliamentary democracy. It considers its principal error to be the effort to place the parliament at the peak of the power pyramid instead of having a system of power sharing and of mutual balance. The majority of parliamentary democracies has already eliminated this shortcoming and their constitutional systems are based on the principles of balance and the

separation of powers. The Constitution should contain mechanisms for preventing government crises, for making the citizenry disgusted with democracy, and for the prevention of the danger of the advent of a "strong-arm" regime.

I. The Constitution should incorporate the List of Basic Rights and Freedoms, which we are proposing to augment only in a few points:

A. Place care for nature and the environment at a level that is comparable with care for man and his rights;

B. More consistently anchor the independence of the public communications media and their right to information from the state, of course, simultaneously accompanied by the duty to guarantee the truthfulness of published information and protect the honor and dignity of the citizens, including that of public officials;

C. Augment the institution of the ombudsman, whose task would primarily involve the settlement of complaints in the armed forces and oversight over the protection of sensitive personal data against its misuse.

II. We are basing ourselves on the principle of so-called rationalized parliamentarianism, which guarantees the stability of the constitutional system. The parliament and the government must have a balanced position, the president plays the role of an arbiter. This concept is better reflected by a directly elected president. The president is not responsible to parliament, his actions require the countersignature of the government, he can be impeached before the Constitutional Court. He has the right of a suspending veto and, in precisely outlined instances, the right to dissolve parliament. On the basis of the election results, he appoints the prime minister. The prime minister puts together a government; the ministers are obligated to adhere to the political line established by the prime minister. The government endeavors to acquire the confidence of the parliament; the parliament approves the government's program declarations. The parliament can only declare its lack of confidence in the government as a whole. The Constitution should make it possible for the president, in case of need, to appoint a so-called caretaker government for a limited time—a government that does not try to gain the confidence of the parliament. A unicameral parliament is sufficient; to assign constitutional jurisdictions to a second chamber is understandably possible only within a federal state—everywhere else, the second chamber stands on the edges of political life. The Constitution must include a supreme control office as an institution which oversees the way in which the government manages the financial resources entrusted to it and which reports to the parliament on this matter.

III. The elements of direct democracy must be an inseparable part of the Constitution. This involves not only a referendum, which the president can proclaim directly on the basis of petitions by the citizenry, without the approval of parliament, as well as the matter of a

legislative initiative on the basis of citizen petitions (so-called people's initiative).

IV. An irreplaceable role in a democratic system is played by an independent judiciary, which in contrast to the legislative power and the executive, is nonpolitical and is independent of the government, parliament as well as not being dependent on the elections as a result of the political struggle. This presupposes the appointment of judges at all levels for lifetime tenures and protects them against being recalled, with the exception of criminal findings made by special court sentence. The Constitution of the Czech state should contain independent passages covering the general judiciary (including the administrative judicial system), the Constitutional Court, and a new court organ, which would replace the existing Office for the Protection of Economic Competition (an anticartel court). The prosecution system should fulfill the role of state prosecutor (in addition to the institution of private prosecution involved in specific offenses), should exercise oversight over investigations and, for the time being provide for the broader protection of civil rights in the noncriminal area. The Civic Movement is considering the reestablishment of the Office of Financial Prosecutor, which would provide for the consistent protection of the economic interests of the state in tax matters.

V. We do not recommend that the Czech Republic be constitutionally conceived as a composite state (in other words, neither a federation nor a confederate state). The territorial breakdown should be based on the proposal for a three-step state administration and autonomy, with every level of state administration having an autonomous organ as a partner. In other words, we are proposing a scheme that would involve the community (obec), district (okres), and autonomous region (autonomni oblast) levels of administration. The distribution of jurisdictions would have to be based on the principle of subsidiarity—that is to say, the transfer of decisionmaking authority to the lowest level at which it can be handled. This means a substantial strengthening for autonomy, including independence regarding financial resources. The extensive autonomy of the higher self-administration territorial units could be even reflected by having a minister represent it within the government. This approach would lead to a smaller number of autonomous regions. The Constitution should provide for the direct election of mayors and magistrates and for their share in the creation of higher self-governing organs.

VI. The Constitution must also contain the outline rules for managing the financial resources of the state. In this chapter, it is necessary to specify the division of taxes among self-administration organs and the government, to introduce the principle of financial balances involving communities, districts, and autonomous regions, to specify the amount of freedom the government has in handling financial resources after approving the budget,

and, to the extent possible, change the budget; furthermore, we call for the introduction of the so-called principle of coverage, that is to say, the duty of the presenter of a law to report from whence the resources should come to cover the expenditures that he is proposing.

VII. Finally, it is important to have the status of threat to the state anchored in the Constitution, including the limited functions in which those constitutional organs under threat are permitted to engage. In the state of threat, the jurisdictions of the president and of the government should be strengthened.

Anti-Slovak Bias of Czech Media Criticized

92CH0866A Bratislava SLOBODNY PIATOK in Slovak
24 Jul 92 p 1

[Article by Ernest Weidler: "Oh, Democracy"]

[Text] Some journalists from Kosice and Bratislava have, over the past months and virtually on a daily basis on radio station C-S, made direct, fateful, and stereotypical implications in their statements connecting the guarantee of democracy in Slovakia with the existence of a strong common state of the CSFR. One-sided journalistic promotion of this old model simply makes no sense. It's clear that those who have been challenging—it turns out quite rightly—the viability of the idea of a semiunitarian federation were no old-fashioned primitives as they were portrayed, particularly for the benefit of the Czech public, which lacks the opportunity to be informed about the diversity of views within Slovak society. It is only now, after the most important contemporary Czech political force, the ODS [Civic Democratic Party], has accepted the idea of complete independence of the Czech and Slovak Republics with such a surprising ease, as if it were something completely natural and constitutionally appropriate, and thus also democratically feasible, that one can see how naive and possibly even harmful such an absolutization of one model could be.

The citizens of Slovakia have remained virtually immune to this narrow-minded method of broadcasting. It was difficult for them to believe in what was being said about democracy on those channels, which were only applying the principles of democracy very rarely. Fathers were able to believe in the objectivity of reports on Slovakia when they lived in Slovakia—in a "Slovak atmosphere." It was the Czechs that found themselves in informational isolation.

To connect the democracy of a nation or state mechanically with the legislative method of coexisting with another even though close nation is absurd. The subtext of such an explanation conceals the fear that the Slovak nation in its majority does not have enough prerequisites in order to respect democratic procedures and is in need of a more civilized, more Europeanized, more freedom-thinking nation to prevent it from falling into some kind of Balkan precipice. In other words, what is involved here is some kind of export of Prague's democracy to

Slovakia, without regard to the will of the Slovak citizens because in Prague, where Czecho-Slovakia is considered to be Czecho-Slovakia they were always right, they always knew what was correct and anything that was thought up in Slovakia was stupid and unacceptable for all of Czecho-Slovakia.

It would be an illusion not to perceive the fact that democracy in Slovakia is fragile because—as is the case in all postbolshevik nations—there is a lack of constitutional mechanisms, which would provide the maximum barrier toward a return to dictatorial methods, irrespective of which power-hungry group acquires political power. In the final analysis, such groups exist in all, even the most democratic states; however, in those countries is the aforementioned mechanisms that protect the citizenry against them. It is a reflection of extraordinary shortsightedness that the democracy-proclaiming journalists and politicians of the past biennium failed to concentrate their major attention upon the constitution of firm legislatively anchored parliamentary structures, which would render self-evident the “popular government” in Slovakia and which would morally exert an even greater influence upon the population than the conduct of the ineffective struggle to federalize public opinion.

Another confirmation of antidemocratic conduct (and according to some of the “herd instinct”) of the Slovak population was supposed to be the express victory by Vladimir Meciar and his HZDS [Movement for a Democratic Slovakia] during the elections. How this simplifying and downright insulting evaluation shows up in the private mass media (LIDOVE NOVINY, SLOVENSKY DENNIK, RESPEKT) is a matter of the publishing intentions and the publishing conscience, but also a matter of evaluating their own journalistic qualities and the sense of objectivity. If this matter appears in state federal mass media, then it is a matter of criminal abuse of a public institution to disseminate the views of a single group. I do not agree with those who would prohibit Ivan Hoffmann, Ladislav Spacek, or Zuzana Bubilkova from appearing publicistic on Czechoslovak radio and television. That would be censorship. However, I am unequivocally in favor of, after they appear on radio or television, equally qualified publicists with other views concerning the affairs of the CSFR also appearing so that in the entire scope of federal news and publicity broadcasting the view of events in both republics should be objectivized. Jacques Rupnik, Ivan Medek, Ota Cerny, and even Zuzana Bubilkova must know that in the present-day democratic West Europe there is no longer any talk so much of the objectivity in public-legal mass media (because even here, like “the truth,” it is difficult to formulate and seek out), but rather there is talk of fairness—in other words, of creating room for the actual plurality of views. Unfairness and one-sidedness is considered to be the same as censorship in developed countries. And the Czechoslovak press and Czechoslovak radio have a long way to go yet before reaching that degree of fairness.

I do not identify with Vladimir Meciar when he says that the director of the federal mass media should be a member

of the HZDS or a member of any political party. But the degree of agitation exhibited by Mr. Medek and by Zuzana Bubilkova over Meciar’s statement would be much more persuasive if both of them would distance themselves equally from the central director of Czechoslovak Radio, who was appointed by the former Czechoslovak Federal Government according to specialized, party dispositions—he was appointed directly from his position as editor in chief of the unfortunate journal VEREJNOST. So it is necessary to believe that the anger shown by many of Prague’s mass media personalities is only very expedient, one-sided, and downright egotistical.

It is peculiar to see some publicists make a direct connection between Meciar’s success and the need for Slovaks to have a leader. After all, even Vaclav Klaus had a similar success and no one speaks of the herd instinct among the Czechs. And still more citizens of the Czech Republic worship Vaclav Havel. Of course, a person who has such a gift of speech and a degree of suggestivity in his expressions as Vladimir Meciar, and who has so much energy and ambition is always in danger that power will enrapture him and that success will confuse him. It is precisely the mass media and the journalists who have the opportunity and the duty to uncover each step, which would exacerbate this danger or which would already lead directly to unacceptable domination. It is precisely when a person is following a success that he is surrounded by more career-minded individuals than those who are actually capable. (Or when the person himself surrounds himself with such individuals and permits them to exert foolish influences or, at the very least, permits them to be informed in a distorted tendentious manner. Such has happened, to a certain extent, even to Vaclav Havel—I am convinced. It is precisely when this humanist of world format stepped down from the office of president that an urgent memento was created for everyone!) It is true that such publicistic commentaries can be effective only if they are cold-blooded, analytical, unprepossessed, and not disparaging.

The key Czech journalists are excellent stylists, clear visionaries in many directions, and are levelheaded. However, it is virtually unbelievable how the intellectual environment of the city of Prague has practically compelled them to form a mountain of prejudices with regard to Slovaks and has concentrated these prejudices toward Vladimir Meciar. It seems to me that the mass media in Slovakia are truly in a more pluralistic situation regarding the problem of Czecho-Slovakia. Vladimir Meciar should clearly realize this fact and, in his own interest, accept the opposition position of Slovak journalists with respect to his persona.

On the other hand, however, it is necessary—via the federal government, which continues as the guarantor of the state federal mass media—to take some measures, fully respecting the independence of radio and television and its reporters, to safeguard the comprehensive nature of the actual federal information variety in these situations. Or, in the following months, it will be unusually important for Czech citizens to have more precise, more comprehensive, more balanced views regarding the thinking and events in

Slovakia than has been the case thus far. And this is also in the interest of the Czech citizens.

Communists Seen Infiltrating Slovak Politics

Disguised Neobolshevism

92CH0833A Prague CESKY DENIK in Czech 23 Jul 92 p 3

[Article signed by Josef Mlejnek, Jr.: "Red Varnish, Well-Masked"]

[Text] If an observer unfamiliar with communism watching the developments in Slovakia were to consider solely on what the politicians are saying, he would surely gain the impression that he has landed in a country where there may be a bit of nationalist fervor, but which is an otherwise normal democratic country where a left-center government came to power. And for sure he would resolutely reject assertions that in June 1992 it was (neo)communists who gained power here. Flaming avowals of democracy, the market economy, human rights, and the rights of national minorities mouthed by the Slovak prime minister may fool not only the general secretary of the Council of Europe who had demonstrated already once that she is "way out" in understanding the situation in the postcommunist countries, but also part of the Czech public. That part may then fall for the left's noisy proclamations that Vaclav Klaus broke up the common state "because of mere trifles," because of minor disagreements in interpreting economic reform. Few mistakes would be so profound as this one. The issue in Slovakia is not "minor differences" but differences substantial in nature, not only differences and distinctions within the framework of a democratic order but differences of a fundamental, systemic nature. East of the Morava River we are seeing the birth of an undemocratic, national-bolshevist regime.

Times change and communists, too, change with them. The old guard, perhaps with the exception of Vasil Bilak, has gone into undisturbed retirement and a younger generation has pushed its way to the forefront. That Marxism-Leninism suffered total bankruptcy was something even communists themselves realized during the final years of the communist regime, and so their promotion of the noblest idea was reduced to nihilistic clinging to naked power. In this they are interested today too, "up to first priority" and they are well aware that they cannot attain it with a fossilized ideology. With the unmitigated gall that is their trademark they opted for a brilliant stratagem: They appropriated the ideas of their opponents, ideas in whose name they were "defeated" in 1989. But along with "privatizing" them they distorted those ideas and deformed them to suit their own purposes. The main tools of such deformation are the conjunctive "but" and a wide assortment of qualifying adjectives. Vladimir Meciar's government is for a market economy, but... (followed by an assertion substantially contradicting the market economy). Quite in the spirit of well-practiced dialectics (which communists will never give up) as the result of the contradiction

between the thesis of a market and the antithesis of an "nonmarket" a new synthesis will emerge, a kind of "something" still lacking a precise definition, but of course far removed from a market economy. The original clear and unequivocal term is thus elegantly emasculated and given a wholly different meaning. Qualifying adjectives can be similarly and very successfully used in this endeavor. We see emerging terms such as Slovak democracy (read: dictatorship), sovereign information (propaganda), or ecologically-socially-oriented market economy (alias state control), a gem of an idea coined by SDL [Party of the Democratic Left] chairman Peter Weiss. The newspeak of the postcommunist left already merits extensive study. Employing a vocabulary paralleling the realities of Western democracy and the market economy, an undemocratic and controlling regime, in some ways resembling one of the Latin American dictatorships, is thus constituting itself. As in the HZDS [Movement for a Democratic Slovakia] ideas for state power-sharing where a thin federal veneer was to disguise the actual independence of the Slovak state, so the verbal affirmation of democratic traditions just for the benefit of the domestic and foreign public is to mask the neobolshevist essence of the regime. But the decisive thing are deeds, the concrete steps the Slovak Government will take. And it will not be possible for long to disguise bolshevist manners with a democratic face.

State-Controlled Economy

92CH0833B Prague CESKY DENIK in Czech 25 Jul 92 p 3

[Article signed by Josef Mlejnek, Jr.: "Through Controlled Economy to Political Dictatorship"]

[Text] Even though the Slovak Government's program statement at first glance at least verbally affirms a market economy, the many "buts" along with explanatory and interpretive elaborations ultimately push the opening statement to a wholly different terrain. Recent reports on the government managing bank credit policies and representatives of the industry lobby in the posts of economic ministers suggest how the Slovak economy will look in the very near future. Market principles will apply maximally to hot dog or ice cream vendors; elsewhere a rigid control will prevail. Given the strong aversion (concealed, but badly) of the victorious movement's economists to privatization we can assume that the state, or the strongly state-influenced, sector will continue to play the dominant role.

It is obvious that such an economy will be inefficient, its "operation" accompanied with endless breakdowns, that it will permanently lag behind the advanced world and the gap that separates Slovakia from it will increase even more. Of course the advantages of a market economy cannot be reduced only to assuring prosperity. The market is of key importance for the fulfillment of human freedom as such. Political freedom is virtually unthinkable without economic freedom; in any other than a market environment human rights can be asserted only with great difficulty. Political and economic freedom are inseparable,

they are joined vessels, one without the other if not impossible then at least substantially circumscribed. In a country whose government has an economic program like the Slovak Government, most civic rights and liberties shrink to mere formal freedoms the practical assertion of which is rendered very difficult. For now let us imagine just hypothetically how freedom of expression and of the press will fare in the Slovak state. The recent renationalization of the freshly privatized Danubiaprint suggests a great deal. The constitution may include flowery phrases guaranteeing this freedom and the article may be hewn into the rock of Devin, but in a country where the free private entrepreneur can see sand put into his wheels by deliberate legal and bureaucratic obstacles the practice is sharply at odds with the theory. Do you want to publish a newspaper? You can, but a printing shop which is state-owned or privatized in the interest of the state may simply refuse to print due to an "unsuitable" political orientation. Even if a suitable printer is found, in the context of protecting Slovak forests (especially now after the Rio summit!) paper will be rationed and its importation (in the context of protecting jobs and assuring social peace in the paper industry) will be subjected to high customs duty. And there is also only one distributor—state-owned. In an economy of shortages and rationing (and this is what the Slovak economy unquestionably will be) advertising, the prime revenue source of private media and thus also the pillar of their independence, will also become redundant.

In the area of screening and guiding information (in the late 20th-century-information society the free glow of uncensored information is of key importance) the government, provided it is in sufficient control of the economy, enjoys nearly unlimited opportunities for manipulating and both directly and indirectly controlling and influencing most spheres of social life. Holding on to power does not require any all-knowing ideology; modern neobolshevik regimes use much more hidden and subtle methods. Curbing and slowing down economic reform aimed at creating a market will ultimately provide ideal conditions for an undemocratic authoritarian regime. The developments in Slovakia offer one important lesson: without the success of a radical economic reform civic as well as political freedom, too, will evaporate like steam from a kitchen pot.

Czech Left's Support

92CH0833C Prague CESKY DENIK in Czech
29 Jul 92, p 3

[Article signed by Josef Mlejnek, Jr.: "Demagoguery in Full Gear"]

[Text] The agreement between ODS [Civic Democratic Party] and HZDS [Movement for a Democratic Slovakia] did not bring the calm that might have been expected but rather the contrary; defenders of the "common state" are ringing alarm bells ever more loudly and their verbal statements have become more pointed. The would-be saviors of the unsalvageable form a very diverse and disparate community, differing in both arguments and motives. We find among them the politically naive whose love for Masaryk's

republic clouds their eyes and minds; "naive" types who are cunning masters of artifice (for instance the red farmer Trnka and his still-redder friends) whose love for socialism with their own face momentarily commands them to don a mask of wise and statesmanlike supporters of direct democracy, but also some Slovak federalists whose love for democracy prevents them from recognizing that the preservation of democracy at least in the Czech lands is presently the only chance for Slovakia as well as the entire central Europe. There is a mixture here of desperate feverish effort and cold calculation which only at first glance appears as an outpouring of spurned affection. Chaos, confusion, mob scenes in the streets, a rule of irrational instincts—this precisely is the state of affairs the Czech left is hankering after. Because the breakup of the state is a logical culmination of developments of the last two years (and 70 before that), it is small wonder that the "arguments" of fighters for the common state are not far removed from demagoguery. The array of means employed toward this end is truly broad, ranging from calls for "the voice of the people" which must sound especially alluring to the widespread type of the Czech voter who perceives democracy as the right to have a say in all affairs, to skirmishing with questionable and in the main quite absurdly misinterpreted results of public opinion research, all the way to sowing fear about "what it all will cost." It is a very dangerous demagoguery because it knows how to strike the sensitive chords of the Czech character. Particularly dangerous is the last "argument" because its time may yet come.

Demands that the federal government calculate how much the federation's breakup will cost have reached the floor of the parliament. Apart from the fact that a precise quantification of something like that is well-nigh impossible, the question would first have to be brought "from the head to the feet" and ask how expensive would it be to remain in a nonfunctional and chaotic "authentic federation." One of the principal reasons why ODS is pushing HZDS toward a complete separation is precisely the fact that the losses from the second solution would reach virtually astronomical levels, if it is at all possible to put numbers on a fall into the civilization zone of the "third-way" world. Separate statehood for the Czech Republic will certainly be impossible without short-term shocks but of course the only path to a rapid improvement is the liberal economic program of the government coalition. Everywhere in the world voters tend to hold the government in power guilty for current developments, positive and especially negative, and are not overly perspicacious in distinguishing between the actual steps of the government and factors outside the government's power, whether it is the global economic recession or the legacy of 40 years of communism. The more difficult will be ability to distinguish the impact of the actual breakup of the state from the hypothetical impacts, effects caused by procrastination, negotiation, and maintenance of a moribund state union which, let us hope, will never have to be experienced. Even if these effects are surely impossible to quantify precisely, it would do no harm at all if the Czech government were to prepare a kind of a "catastrophic scenario" setting out the consequences of preserving a common state union at least in rough outline. In the

endeavor to assure a peaceable separation the coalition politicians are depicting the situation in Slovakia too diplomatically, perhaps with an exaggerated politeness toward the "legitimate winner of the elections." A clearer and bolder description of the advantages of shared life with a Slovak neobolshevist state could make a dent in the well-laid plans of the crowd of leftist demagogues and populists.

Economic Institute Income Analysis Published

92CH0841A Prague HOSPODARSKE NOVINY
in Czech 29 Jun 92 p 8

[Population incomes analysis submitted by the CSAV Economic Institute to HOSPODARSKE NOVINY: "Population Income: Changes in Trends"]

[Text] We are going back to the last regular macroeconomic and social analysis of the Czechoslovak economy

by the CSAV [Economic Institute of the Czechoslovak Academy of Sciences], from which we quoted on 15 June 1992. Today, we have selected excerpts from the chapter dealing with the growth of population incomes.

The year 1991 brought an acceleration in the dynamics of nominal incomes (14.5 percent), which is twice as much as the growth in the previous year, primarily as a reaction to the liberalization of prices at the beginning of the year. In spite of that acceleration, however, there was a considerable decline of real income, by 26 percent, concentrated mostly in the first few months of the year. The fundamental trend was a relatively slower dynamics of earned income and higher dynamics of unearned income, which brought corresponding changes into the inner structure of incomes (see table).

Growth and Structure of Population Income

| Type of Income | Total Volume | Increase | | Share in Total Income | |
|-------------------------|----------------------------|----------|---------|-----------------------|---------|
| | | 1991 | 1992 | 1991 | 1992 |
| | Korunas [Kcs] (billion) | percent | percent | percent | percent |
| Cash Income | 593.8 | 14.5 | 25.6 | 100.0 | 100.0 |
| Income from wages | 304.7 | 3.5 | 16.2 | 51.3 | 52.6 |
| Income from agriculture | 23.4 | - 24.8 | - 6.3 | 3.9 | 3.6 |
| Social benefits | 119.6 | 20.6 | 9.7 | 20.2 | 19.3 |
| Other income | 146.0 | 55.3 | 88.6 | 24.6 | 24.6 |

Comment: Data for 1992 concern the first quarter

The development in the first quarter of 1992, in contrast, gives evidence of change in a number of trends. There is a faster growth of incomes and wages, and there is also a turnaround in the ratio between nominal and real income. Given the low inflation, the nominal increase of total incomes by more than 25 percent also represents an insignificant (8 percent) increase in real income. Whereas in 1991 the decline of real unearned income was less than the decline of real earned income, this year, in contrast, growth of nominal earned income is faster, and therefore the real level of income from social benefits in relation to earned income has relatively declined.

Wages

Growth of wages was particularly influenced by the changes in employment, which contributed to a negative development in the volume of wages, and also by the movement in the average wage, which compensated for the first factor only in a very limited way. The average wage increased by 16.4 percent with a gradual acceleration of dynamics in the course of the year (in individual quarters: 6.1, 15.2, 15.7, and 27 percent), especially in connection with the increased target growth. The growth of the average wage in the last two quarters by 18 percent in contrast to the first quarters represents an extreme deviation in view of the nominal seasonal fluctuation

(6-8 percent). The decline of the real wage can therefore be estimated at approximately 24-25 percent.

The growth of nominal and real wages is characterized by a onesided link between the growth of wages and the growth in the cost of living, regardless of other economic circumstances. We often see comments about a noninflationary growth of wages, supported by the assertion that the growth of wages has been lower than the price increases. But this criterion cannot be considered valid. The basic criterion of noninflationary growth of wages is the relation between the growth of real wages and the growth of labor productivity. This criterion was by and large met by growth in the first three quarters of 1991, when the decline of the real wage replicated, with a certain time lag, the decline of labor productivity; however, some inflationary impulses appeared at the end of the year.

Developments in 1991 also introduced into wages a change caused by a higher differentiation of the growth in individual macroeconomic sectors, accompanied on one hand by an overall increase of the variability of wages in the national economy, and by changes of the thus far very stable intersector relations.

The growing differentiation of wages is a new element in the Czechoslovak economy; the basic question is

whether this differentiation exerts an influence leading toward rectification of the distorted wage relations. The difference between the average wage in the manufacturing and nonmanufacturing sectors declined, particularly because of the influence of the high increase in wages in some service sectors (finances, insurance). A number of other sectors, which in advanced economies stand at the top of the income hierarchy (health care, law, science, research), still are at or even far below the income average. In the fuel industry wages are 75 percent higher than in culture, 55 percent higher than in education, and 42 percent higher than in health care; physicians' salaries are at the same level as wages of agricultural workers on state farms. The relations of average wages will be to some extent influenced in the coming months by wage adjustments in the budget sphere; but those will probably be less important than originally planned. Other increases in wage differentiation between individual sectors as well as within them can be expected, above all in relation to the specific economic situation.

Social and Other Income

Growth of social income accelerated considerably in the course of 1991, particularly as a result of the two revaluations of social benefits. The decline of the real income of benefit recipient was not as marked as the decline of real wages. However, the form of revaluation used led to a considerable levelling of pensioners' income. More marked was the decline in the real value of social benefits going to families with children (roughly by 20 percent), because some specific expenditures for children increased quite significantly.

Following another revaluation of social benefits on 1 June 1992, the income from old-age benefits should increase by almost 10 percent. The real value of these benefits will decline somewhat, among other things because the increase in living expenses will be caused mostly by adjustments of rents, which is a necessary expense. The chosen form of revaluation will again intensify the leveling of these types of income. In view of the fact that an increase of social benefits going to children is not being planned, it can be assumed that an even greater decline of real income will occur in families with children, especially in families with a greater number of children and parents with lower income, or with unemployed parents.

Other types of income registered a very rapid growth in 1991, both absolute and relative. At the same time, statistics so far do not adequately register income from private activities. Some estimates speak about amounts on the order of as much as tens of billions of Czechoslovak korunas. That would mean, among other things, that the decline of real income in 1991 was several percentage points less than was officially announced. At the same time, this is one of the answers to the question why the transformation of the Czechoslovak economy was—in spite of a considerable decline in the standard of living—socially tolerable.

Also important was the influence of the state equalization allowance, which more than doubled. While in the future the state equalization allowance will not have a positive impact on the dynamics of other types of income, it can be expected—according to data from the first few months of the year—that the acceleration of dynamics of income from the private sector will continue.

Significant changes in the composition of citizen's income in 1992 in comparison to the trend which we noted in the first months of the year cannot be expected. The overall growth of the volume of nominal cash income will probably be considerably slower in comparison to 1991, especially in connection with the expected growth of inflation. Similarly, there should be no decline in the level of real income.

Subsistence Income

A serious social problem, whose urgency grew in connection with the transformation of the Czechoslovak economy and society, is the problem of poverty.

We can deduce objective relative indicators of the extent of poverty from the official or social poverty line. By official poverty line is understood its concretization in the law on subsistence income. Net income at the level of subsistence constructed by the normative method toward the end of 1991 of an economically active person fluctuated according to various estimates between Kcs2,302 and Kcs2,383 per person per month, which is roughly 50 percent of net cash income per person in 1991 or Kcs4,635.

Net income at the level of subsistence compiled by the normative method for a recipient of social benefits was estimated at the end of 1991 between Kcs2,165 and Kcs2,208 per month. With the payment of social benefits due after 31 May 1992, the minimum income of a social benefits recipient as an individual is Kcs1,980. Therefore, about 20 percent less than would correspond to the above mentioned subsistence income. To compare, the average monthly amount of old-age pension (including the state equalization allowance) in 1992 was Kcs2,342.

In view of the existing tendency toward a real increase of disposable cash income of the population it can be expected that in the course of 1992, the distance between the normatively determined poverty line and the poverty line determined by the 50 percent of net cash income per person will increase to the detriment of the normatively determined poverty line.

According to government reports, at the beginning of 1992 about 160,000 households (630,000 persons), which represents about 3 percent of the total number of households in CSFR, lived under or at the poverty line. For example, since November 1991 no households of retirees were found to be below the official poverty line because minimum benefits from a single source of income for a single person or couple (in December 1991 these were drawn by 280,000 persons) is higher than the

officially established subsistence income. It means, that only families with children belong in the category of the officially poor.

According to our calculations, based on the microcensus in 1988, there were about 12 percent of households at or below the socially determined poverty line in 1992. Thanks to the growth of real disposable cash income of the population during this year, we estimate that at the end of 1992 there will be 7-8 percent of household in CSFR living at or below the social poverty line. In the bracket of 25 percent above the social poverty line, there should be another 15 percent of households (17 percent of persons).

For households that are in the bracket above the official poverty line and at the same time below the social poverty line, changes in conditions could mean an immediate threat and a move to or below the officially acknowledged poverty line. Among these changes can certainly be included the phenomenon of unemployment.

The initial tendencies in the development of basic characteristics (rate of inflation, growth of disposable cash income) for 1992 indicate that the overall extent of official and unofficial poverty should be declining. However, this conclusion is conditional. It is based on the assumption that the expected growth of unemployment toward the end of the year will not have a significant impact of the growth of the total disposable income of the population.

Extent of Recent Tax Evasion Problems Examined
92CH0841B Prague EKONOM in Czech 17-23 Jul 92
pp 29-31

[Article by Vaclav Benda: "Will We Stop Tax Evasion?"]

[Text] With the growing implementation of market relations in our transforming economy, the extent and probably also the value of losses from tax evasion is growing. The motivation for tax evasion is diverse: In addition to the natural effort of some entrepreneurial entities to get rich quickly at the expense of the state, many transgressions and evasions are the result of a simple lack of knowledge of the tax system, particularly among those from the ranks of private entrepreneurs. The most frequented area in that respect is the sales tax. The legislative amendment of the sales tax system and its relatively complicated application do not create sufficiently effective barriers both against tax evasion and the circumventing of tax regulations within the limits of the law.

Recently the most often used form of tax evasion was by making purchases of goods with the designation "plus tax" without paying the sales tax. According to the tax schedule, it was possible to buy the goods tax-free as long as they were destined for export. But then they were not exported but sold on the domestic market without paying the appropriate amount of tax. Even if such clever entrepreneur who used this trick is later found

out, the state will have a difficult time trying to recover the tax, which often amounts to millions.

Products used in that sham export have been mostly products subject to high taxation (alcohol, cigarettes), where these enterprising people can make a large "profit." Consequently, a measure was enacted in the course of the first six months of this year that requires that selected products be always purchased for a price with tax and only upon presenting proof of their export abroad an application for a refund of the sales tax be submitted to the finance agency. Let this paragraph serve as a notice to potential exporters, but also to manufacturers (suppliers) who have not yet noted the fact that they can supply domestic customers only for the price "plus tax."

Another area, where the circumventing of rules and loss of tax revenue occur, is the import of goods. In the sales tax system, the collection of taxes and duties are separated both by time and subject for most importers. Whereas duty is collected by customs officials, the claim of the state to the customs duty is tied to the moment from which the goods are under the control of custom authorities, the sales tax on imported goods is collected by finance agencies, and the ground for sales tax is contingent on presenting an invoice or other proof of sale or use of the goods on the domestic market. This arrangement, and the presently valid division of jurisdictions in administering customs duties and taxes creates opportunities for tax evasion, and the sales tax often becomes a "hot potato," which the importer of the goods and the business entity that sold the goods on the domestic market are tossing back and forth between them. Illegally imported goods escape being taxed altogether; their apprehension is entirely within the jurisdiction of the customs agencies and at a given moment it cannot be influenced either by the methodic or organizational measures in the tax area.

A popular method of reducing tax liability is to reduce the base for calculating taxes on goods sold through one's own retail store. Such sales can be realized by a manufacturer of goods or an entrepreneurial entity, who, in addition to selling goods to the final consumer is also engaged in retail.

The system of value-added tax should put an end to all these practices that are most often used to avoid paying taxes. The tax mechanism provides that all taxpayers deliver their taxable performance (delivery of goods, providing services, transfer and use of rights, etc.) always for a price plus value-added tax, as long as it does not concern a taxable performance exempt from taxes. It means, therefore, that the institution "tax statement" is no longer used, and except for some strictly defined exceptions, there exists no possibility of making a purchase without paying tax. However, registered taxpayers are entitled, under rules established by law, to a tax refund of the tax paid at entry, which has the same effect as buying tax-free in the system of sales tax. In the

value-added tax system, however, the state has far more effective instruments for the control and administration of taxes. Those who pay the value-added tax will have to use their account sheets for the appropriate tax period as the basis in calculating the amount of tax to be paid into the state budget, which will actually be the difference between their own tax liability at the exit and the tax charged at the entry.

Rules for Tax Accounting

In connection with the new chart of accounts, rules for value-added tax accounting will be established for double-entry as well as single-entry bookkeeping. On tax documentation, which will most often be invoices, price without tax and the tax will have to be entered separately. When filling out the tax return, the enterprise will use as basis invoices in and invoices out for the relevant tax period. That can be graphically illustrated on the following example, which illustrates in a simplified way the compilation of information to be entered on the tax

return for the monthly tax period by the business entity which will be paying the value-added tax.

As can be seen in the summary in Table 1, the overwhelming portion of the deliveries was taxed at the rate of 23 percent on entry (for example, milling cutters, finished lumber, gasoline), and a portion at 5 percent (construction work, gas, electricity). The machinery repair was done by a small entrepreneur who does not pay the tax, and that is why the tax is not applied separately and the taxpayer is not entitled to a tax refund. The total tax calculated at entry therefore amounts to 10,203 korunas [Kcs], which at the same time constitutes the claim for a tax refund.

The tax liability of the taxpayer himself in the above case (see Table 2) will be Kcs19,550. From this amount he will deduct the tax paid at entry (Kcs 10,203) and will pay the amount of Kcs9,347 to the state budget. Together with the payment of the appropriate amount of tax, the taxpayer will have to submit a tax return, whose requirements will be determined by laws of the national councils on administration of taxes and fees.

Table 1: Invoices In (in Kcs)

| No. | Date | Description | Price Without Value-Added Tax | Value-Added Tax | Total Price |
|----------------------|--------|-----------------------------|-------------------------------|-----------------|-------------|
| 1. | 3 Jan | Purchase of milling cutter | 15,000 | 3,450 | 18,450 |
| 2. | 5 Jan | Purchase of finished lumber | 10,000 | 2,300 | 12,300 |
| 3. | 8 Jan | Cost of electricity | 3,000 | 150 | 3,150 |
| 4. | 8 Jan | Machinery repair | — | — | 500 |
| 5. | 15 Jan | Purchase of gasoline | 1,600 | 150 | 1,968 |
| 6. | 20 Jan | Construction work | 10,00 | 500 | 10,500 |
| 7. | 22 Jan | Purchase of paint | 1,000 | 230 | 1,230 |
| 8. | 30 Jan | Cost of gas | 2,000 | 100 | 2,100 |
| 9. | 30 Jan | Purchase of finished lumber | 12,000 | 2,760 | 14,760 |
| 10. | 31 Jan | Purchase of tools | 1,500 | 345 | 1,845 |
| Total for tax period | | | 56,100 | 10,203 | 66,803 |

Table 2: Invoices Out (in Kcs)

| No. | Date | Description | Price Without Value-Added Tax | Value-Added Tax | Total Price |
|----------------------|--------|-------------------|-------------------------------|-----------------|-------------|
| 1. | 15 Jan | Sale of furniture | 20,000 | 4,600 | 24,600 |
| 2. | 20 Jan | Sale of furniture | 35,000 | 8,050 | 43,050 |
| 3. | 22 Jan | Sale of furniture | 15,000 | 3,450 | 18,450 |
| 4. | 30 Jan | Sale of furniture | 10,000 | 2,300 | 12,300 |
| 5. | 31 Jan | Sale of furniture | 5,000 | 1,150 | 6,150 |
| Total for tax period | | | 85,000 | 19,500 | 104,550 |

Essential for checking the correct amount of the tax to be paid, one's own tax liability, as well as the tax refund, will be the tax documentation, the requirements for which will be established by Paragraph 12, Law No.

222/1992, on value-added tax. After the decrees on invoices were rescinded, time terms for making invoices were not established by any regulation. In view of the fact that in the value-added tax system the ground for tax

liability in instances determined by law is tied to the making out of an invoice (generally the tax documentation), the terms for submitting tax documentation have been restored by law. Every taxpayer is obliged to produce a tax documentation within 15 days after the taxable performance was delivered, as long as the performance was made for the benefit of another payer.

Tax Documentation

The law does not prescribe exactly the form of tax documentation, but it establishes the basic requirements for their content. The tax documentation must contain the basic identification data on the taxpayer who delivers the taxable performance, as well as on the taxpayer for whose benefit that taxable performance was delivered. This means especially their business name, address, place of business, possibly also residence. In addition to the identification number of the organization, it will be necessary to include also the so-called tax registration number, which will be assigned to all taxpayers by finance agencies, and these numbers will be used by taxpayers in discharging all their tax liabilities to the state.

The identification of the taxable performance will also have to be included in the tax documentation. If it involves delivery of goods, their name and amount must be entered, if it involves another form of taxable performance, i.e., providing services, their description and extent. The law does not require that goods or performance be marked with a numbered code, it is however in the interest of the taxpayer to enter the performance or goods into the correct tax bracket in case an audit is made. If some components of the taxable performance are goods or services with various tax rates or a taxable performance that is exempt from taxation, it must be entered on the tax documentation as an individual item.

An important entry from the standpoint of an audit will be the date when the tax documentation was prepared; it is mandatory to enter it. Key entries on the tax documentation will be the price without tax and the tax, which must be unconditionally entered separately so that the finance agencies can make a cross check of the supplier and the purchaser of the taxable performance, because the tax liability of the supplier-taxpayer in fact constitutes the claim for a tax refund to the purchaser-taxpayer. According to the provision of the law, the taxpayer will have a claim for a tax refund only if he is able to support it by the appropriate tax documentation from his supplier. It is therefore in the interest of both parties, the supplier as well as the purchaser, to diligently fulfill their obligations to prepare the tax documentation and keep accounting evidence, because otherwise they will not be able to discharge their tax liabilities, and the penalties for not doing so are very harsh according to the provision of the law.

The law also provides that taxpayers have the obligation to keep all tax records, needed for assessing taxes, for a period of 10 years from the end of the calendar year

when the tax liability originated. It is a significantly longer term than the law demands for accounting, and its implementation is also meant to ensure better efficiency of the tax system and improve the chances of detecting tax evasion.

Taxation of Imports

Changing to a value-added tax system will also solve problems connected with charging excise taxes on imports on the basis of the current sales tax system and import tax. The liability to pay value-added tax on imported goods according to rules provided by the law will apply to all persons to whom the goods are to be released for a free or temporary circulation on the domestic market, whether it concerns the taxpayer or the entrepreneur, who will not be the taxpayer, or a citizen who imports goods as an individual import. This approach will in fact make conditions for importing goods uniform for all entities, which at present is not the case. Entrepreneurial legal entities follow the regulations on sales tax for their imports, and entrepreneurial physical persons follow the regulations on import tax; individual imports are not taxed by any of the mentioned taxes, and only an import surcharge of 15 percent applies to them. Applying rates identical to those on the domestic market will ensure maximum neutrality of the new excise tax system.

Also resolved will be the problems stemming from the separate application of customs duty and sales tax. In the amendment of the constitutional law No. 143/1968, in the version of later provisions, which was published in the Law Gazette under the number 211/1992, changes of jurisdictions in the administration of taxes were made in such a way that the administration of the value-added tax and the excise tax for imports can be performed by the customs agencies. This measure creates both the organizational conditions for a more effective application of taxes to imports, and for the legislative adjustment for charging taxes on imports and exports.

Charging tax on imports will be closely linked to charging customs duty. In contrast to the present situation, the ground for tax liability will exist from the same day as the ground for duty liability to the state, which under the currently valid customs regulations occurs at the moment when the goods are under customs control. The tax must be paid by the same person who will have to pay the customs duty according to the rules established by customs regulations. Therefore, there will be no more disputes about who is to pay the tax due under the current sales tax system.

Taxation of Exports

Customs agencies will also be playing an important role in applying tax on export. The export of goods, providing of services, and transfer and use of rights will be exempt from taxes, and the taxpayer will have a claim for the refund of the tax paid at entry. This measure will apply only to a taxpayer, and will therefore not apply to, for

example, foreign tourists as is the case in the FRG and Austria. The basic condition for allowing the claim for a tax refund will be for the taxpayer who was the exporter to have a confirmation from the customs that the goods were shipped to a final destination abroad. The function of the tax documentation, for both export and import, will be to fulfill the role of a written request for customs procedure. After an agreement with the customs administration the value-added tax must be entered on these documents as a separate item, if the product being imported of exported is subject to that tax. The request for customs procedure will therefore have to be used to substantiate the claim for the deduction and refund of the tax.

Establishing the Tax Base

The value-added tax system should also satisfactorily solve the question of the artificial reduction of the tax base, with which the administration of the sales tax is struggling. The fact that sales will also be subject to the value-added tax, automatically solves the problem of establishing the sales tax base for transferring goods to a retail store. In the value-added tax system it will not be important whether the entrepreneurial entity will add his profit in the phase of "marketing" or in the phase of "sales." he will always have to calculate it into the base for establishing the value-added tax at exit.

The introduction of the concept "persons having special relationship to the payer" will also solve the question of reducing the tax base in sales made within the framework of "family enterprises." In case of a taxable performance to benefit the legally determined circle of such persons, the basic tax rate will not be established on the basis of the agreed upon price but on the usual price without tax. The usual price is not defined in the law, and its determination will be based on the provisions of the business code.

Provisions on Penalties

Another measure that should contribute to the limiting of tax evasion are the penalty provisions contained in Paragraph 42 of the law on value-added tax, the amount of which is considerably larger than in the sales tax system, and so could also result in the bankruptcy of the entrepreneur who does not properly discharge his liabilities. Penalties and fines are set as a percentage of the delinquent tax or by a fixed amount of korunas. If the taxpayer does not declare the tax correctly, the penalties will be set at 100 percent of the delinquent tax if the discrepancy was discovered by the finance agency, and at 20 percent if the discrepancy was discovered by the taxpayer himself and he corrects the tax on his tax return in the next tax period.

If the taxpayer does not pay the tax on time, he is obliged to pay penalties in the amount of 0.1 percent of the delinquent tax for each day the tax remains unpaid until the day it is paid, inclusive of that day. If the taxpayer does not file the tax return on time, the finance agency

will impose a penalty of 10 percent of the tax liability for the tax period in question, at least Kcs5,000. Penalties will be imposed even for the failure to register. If the taxpayer does not meet his obligation to register or file on time, the finance agency will impose a penalty of up to Kcs 1 million, but at least Kcs5,000.

The law on value-added tax as a substantive legal norm establishes the basic conditions for preventing tax evasion. However, the key role in exposing tax evasion, as well as in providing preventive measures, will belong to the finance agencies, which will, on the basis of laws on the administration of taxes and fees, perform the function of the domestic tax administrator. Effective application of taxes in import and export is fully in the hands of the customs agencies, which will have to not only collect customs duty but also the excise taxes.

Also important for an efficient application of the tax will be taxpayers well informed about their obligations resulting from the value-added tax system, and on specific relations between the taxpayer and the administrators of the tax. Finance agencies should—especially during the transition period to the new tax system—play a key role in introducing the tax and by providing information to taxpayers in order to help them discharge their tax liabilities correctly.

Effect of New Tax System on Business Viewed

92CH0841C Prague SVET HOSPODARSTVI in Czech
9 Jul 92 pp 1-2

[Interview with Vaclav Grammetbauer, director of the Ministry of Finance Direct Tax Section, by Karel Machala and Milan Manda; place and date not given: "Billions Into Enterprise Pockets?"]

[Text] [SVET HOSPODARSTVI] How will the new tax system affect enterprises?

[Grammetbauer] Enterprises will feel the changes particularly in three areas. They are the area of employee insurance, amount of direct taxes, and the possibility of quick write-offs. The insurance burden is to be 34 percent. That creates for those enterprises, which today have a 50 percent payroll tax a great reduction in their cost of production. On the other hand, for those who used to pay 20 percent and 10 percent, the cost of production will increase considerably. The enterprises must react to this. They must plan even now what their enterprise strategy will look like, how they will draw up their financial plan. There will be an overwhelming majority of those whose cost of insurance will decline. The reduction from 50 percent to 34 percent of the payroll expenses represents a total amount of close to 40 billion Czechoslovak korunas [Kcs]. The enterprises therefore face a key decision, how to make best use of what the tax reform gives them. They will be therefore looking at an income tax reduction for legal entities from the present 55 percent to 45 percent, plus the mentioned reduction of insurance and the possibility of quicker write-offs. At the same time there is a new factor, which

thus far has not existed for legal entities, i.e., the possibility of amortizing the losses over the next five years. In other words, enterprises will have the opportunity, if, for example, they incur losses due to large investments when they first start their activity, to amortize this loss over the next five years. It is a great opportunity, but at the same time a great responsibility. Those who are sufficiently flexible will be, naturally, better off. Those who will leave these important decisions to the end of the year will be worse off. Competitors can overtake them if they are ready and have their financial plan and their sales and purchases planned ahead of time according to the new system. The overall calculation will influence the value-added tax.

[SVET HOPOSDARSTVI] Are there some preliminary calculations of how that will be reflected in the financial management of enterprises?

[Grammetbauer] Of course. In the enterprise sphere there will be an enormous reduction of the total overhead, the reduction being as much as Kcs40 billion. These are additional resources, which—if they are used wisely—could mean much for the enterprises. Now is the time to sit down, count, calculate, work out alternatives. If enterprises own real estate and land, they must also include real estate tax in their calculations. Those who also have transport facilities will also have to count with the impact of the highway use tax. And they must count with the fact that these two taxes are collected without regard to whether the enterprise is making profit or is operating at a loss. It is important not to forget that these taxes lower the base for calculating the income tax.

[SVET HOSPODARSTVI] You also mentioned that enterprises will have more resources. But we could make an observation on this point. The state budget obviously will balance this loss of income by the amount of value-added tax. By increasing the average of the value-added tax for the enterprises, it could reduce their sales, so that those extra earnings need not turn out to be so high.

[Grammetbauer] The value-added tax can have an impact on the volume of demand, but, it should be pointed out, only on the domestic market. Value-added tax is collected only on the domestic market, it is not collected—or rather it is refunded—on deliveries for export. For the state budgets it is necessary to think about linking the reduction in revenues with the idea of reducing state expenditures. Because this is precisely the problem which is often debated—the problem of the amount of the tax quota (the share of means redistributed by taxes and subsidies similar to them on the total GNP—ed.). It needs to be taken into consideration that a number of expenditures are predetermined, mandated by law.

[SVET HOSPODARSTVI] Under certain circumstances, therefore—in view of the domestic amount of value-added tax—an enterprise could get a lower price

on foreign markets and the Czechoslovak value-added tax could have a proexport impact?

[Grammetbauer] No value-added tax is collected on exported goods, it is collected in the other country. So that from this standpoint, the changes in value-added tax rates and excise tax rates, which are now taking place in EC countries, could also have consequences for our enterprises. We must expect, for example, that in FRG the general rate will not be 14 percent, but 15 percent. Therefore, our manufacturers who market their products there have to expect that their products will be priced 1 percent higher than they have been until now. The differences among the EC countries are quite considerable—there are countries where the tax is as much as 20 or 22 percent. There could be some impact. The fact is that the consequence of the strong proexport policy is a reduction in state revenues. The domestic budget does not collect the value-added tax on exported goods, and so we lose a certain amount. But the higher profit could have the opposite result—higher revenues from the tax on profit on the exported goods. And this could manifest itself also in the taxation of imported goods, which move in the opposite direction to the exported goods.

[SVET HOSPODARSTVI] Were our value-added tax rates set with regard to some future uniform value-added tax rate in EC, or was no consensus reached there on this issue yet?

[Grammetbauer] There has been a measure of agreement—on what the minimum general rate should be. And also what the minimum rate of the excise tax on fuel, alcohol, tobacco, etc., should be. For the transition period even a reduced rate was allowed, with the idea that the overall development obviously is leading toward a single rate for the VAT [value-added tax] in the EC. It will be probably a somewhat long period, the current situation with the existing differences will last until at least the year 1997. After that, further steps will be taken to bring the rates closer. But even that must be expected to take a long time.

[SVET HOSPODARSTVI] So that we will obviously have to adjust to that.

[Grammetbauer] Czechoslovakia will obviously have to adjust to that. After all, the entire tax law will be adjusted to that of the EC countries, which is also the obligation stemming from the associated membership agreement.

[SVET HOSPODARSTVI] Are there already some discussions about the amount of VAT in the EC? I am not so much interested in a concrete number, only at least an approximate idea—if a rate higher or lower than the Czechoslovak general rate is being considered.

[Grammetbauer] There are very diverse views on it in the EC. I personally think that the direction will be toward a uniform rate that will be somewhere around 20 percent. Perhaps even a little lower, because are some countries with lower rates are strong.

[SVET HOSPODARSTVI] Is only a single rate being considered, or will there also be some reduced rates for certain types of goods or services?

[Grammetbauer] In my opinion, only a uniform rate is being considered, toward which the trend is leading. There are problems there, of course—in some countries with different rates this would cause some not negligible changes in the price ratios. If in Germany, for example, the reduced rate is 8 percent, and if it were to change to the general 15 percent, the consumers would feel it.

[SVET HOSPODARSTVI] Let's go back to the income tax. About a year ago I spoke with a British economist who offered the opinion that a corporate income tax that exceeds 40 percent is ineffective, because it forces enterprises to find ways of evading taxes. If taxes are lower, it does not pay the enterprise to do that. Was this taken into consideration?

[Grammetbauer] Not entirely. The issue undoubtedly is subject to its development. For example, in the FRG the rate is 50 percent. The fact is, the general tendency—and this is also my personal opinion—in connection with the Maastricht agreements will be toward a tax burden in the EC that will be somewhere around 40 percent. I think—maybe I shall be proven a bad prophet—that the method of taxation will be shifting more and more from direct to indirect taxation. For a number of reasons, although the income tax reacts to the taxpayer's ability to pay—a fundamental tax principle—there are problems with the fact that with these taxes there is the most tax evasion. Also, these taxes are generally unpopular because they are direct, visible. On the other hand, the indirect tax is not noticeable because it is paid in the price of the product. And basically tax evasion of indirect taxes will be much less frequent after the introduction of the VAT, because one can avoid this tax only by not buying the goods in question. On the other hand, the income tax has to be paid directly.

[SVET HOSPODARSTVI] But some goods people have to buy.

[Grammetbauer] If some goods that are basic for everyday needs are subject to this tax, then I have to buy some goods that are subject to this tax.

[SVET HOSPODARSTVI] Some prominent world economists think that the present tax systems are too complicated. For example, Milton Friedman proposes to abolish the income tax and keep only the indirect taxes. What do you think about that?

[Grammetbauer] That expresses the tendency toward a shift from direct to indirect taxes, which I already mentioned. But I do not think that there will be a complete abolishment of direct taxes. Because indirect taxes do not respect the basic element, with which taxes during history have always been connected—that is, the view that payment of taxes should be in some way linked to the taxpayer's ability to pay, to his conditions. An indirect tax—perhaps an excise tax—is degressive in its

consequences. Because even the number of cigarettes that one person could smoke is limited. So that if there is a uniform tax on cigarettes, then even the person with higher income pays the same tax. I do not think, therefore, that the idea will win completely, but undoubtedly a shift from direct taxation to the taxation of consumption will occur.

[SVET HOSPODARSKY] I would like to go back once more to the value-added tax. Its introduction at the approved rate will certainly have an influence on changes in relative prices. Are there any more accurate calculations what it would do to the price of food, other consumer goods, services, etc.?

[Grammetbauer] I expect that the overall price level could be pushed up by about 5 to 6 percent. The sales tax on most foodstuffs in the CSFR was 0 percent, there will be a VAT of 5 percent, so that this increase could be 5 percent. On the other hand, of course, some products could have a lower tax burden. Moreover, the VAT is calculated from the bottom, whereas sales tax is calculated from the top. Undoubtedly, the new tax will cause changes in the price of services. Because there has been no sales tax on them, and now there will be a tax of 5 percent on most of them, but there will also be services where the tax will be 23 percent.

[SVET HOSPODARSTVI] Then there will be also different ratios in the prices of final products and raw materials in contrast to the present situation, if the VAT is added at each stage, whereas sales tax is collected only at the end?

[Grammetbauer] From the economic point of view, even the VAT is collected only at the end of the chain, because at certain stages the tax paid at the previous stages is deducted. In reality it will be only up to the end consumer. But the price ratio will equalize. Perhaps you were thinking about what will be the key aspect for the small entrepreneurs. Whether they will decide to be VAT taxpayers (whether they will invoice with VAT), or if they will not become VAT taxpayers, but then, of course, they will make their purchases with tax and will not be able to deduct the tax at the next sale. Their decision—to put it simply—will be depend considerably on where they stand. If they have customers who will be VAT taxpayers, then undoubtedly they will register themselves as VAT taxpayers. In a different situation will be someone who will stand at the very end of this chain, that is, only the consumer will stand in front of him. It is therefore useful to make your calculations even now.

[SVET HOSPODARSTVI] You visited Israel recently. What did you gain from your visit?

[Grammetbauer] In Israel we were negotiating an agreement to prevent double taxation, and on this occasion I also held talks with my colleagues. The point about how important it is to pay attention to training tax experts was very educational for me. That attention should be given to the studies of tax issues in schools, not only to train tax experts (in Israel every employee for the tax administration

goes through a five-month internship course), but to focus attention on the subject in universities.

Machine Tool Industry Crisis, Improvements

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[Report by Jan Klima and Martin Hejral on roundtable discussion by industry executives, bank, and government officials: "Will Our Machine Tools Come Back To Meet European Standards? The Czechoslovak Machine Tool Industry in Deep Crisis—Manufacturers Believe in Rapid Revitalization"]

[Text] *In the past, the Czechoslovak engineering industry was one of the pillars of the national economy, and particularly the machine tool industry has a solid reputation throughout the world. The past decades of nonconceptual direction and neglect of technical developments, however, perhaps becomes even more palpable in this sector than in other engineering sectors. Will our enterprises be successful in raising the level of their products? We sought the answers to this question in the course of a roundtable discussion involving the following participants: Eng. Ivan Capek, general director, Strojimport, corporation; Eng. Jiri Flidr, director, Kovosvit Holoubkov, corporation; Eng. Josef Kaderabek, technical deputy director, TOS [Machine Tool Factories] Zbrak, state enterprise; Eng. Ladislav Koucky, chief of the Department for Credit and Finance of the Investment Bank; Miroslav Otepka, director, TOS Hulin, state enterprise; Eng. Robert Sulma, financial expert from Price Waterhouse; Eng. Pavel Tomek, director, Research Institute for Machine Tools and Machining; Eng. Josef Vejrosta, general director, TOS Celakovice, corporation; and Eng. Jan Vrbka, departmental director, Ministry of Industry of the Czech Republic.*

[Tomek] The machine tool sector existed in this country as far back as the first republic when there was a strong tie-in with armaments production. For example, the Zbrojovka Arsenal at Brno and the Skoda Plants at Plzen were the leading firms which advanced very rapidly. At that time, the level of Czechoslovak machine tools was surely comparable with those of Europe. Following nationalization in 1948, the state received the industry in good shape and adequately strong investments were made during the first postwar years. New factories were built, a number of new products were developed, and the economic leadership of the state devoted relatively much attention to this sector. Gradually, however, the initial amount of attention began to decline. This was obviously so because this was a lucrative sector which resulted in profits and large exports so that it was more subject to being run out rather than having what was necessary returned to it. A turnaround occurred in the 1970's when it already began to be apparent that investments in the sectors were not adequate with respect to its outputs. In 1967, we ranked seventh in the world in production of machine tools. Today, I think we are in 21st place.

[Vrbka] At the end of the 1930's, we were producing approximately 5,000 machine tools per year. After 1948, production increased until it reached approximately 30,000 units in the period 1960-62. Beginning in 1965, a declining trend began to develop. Some 10 years later, production was only 19,000 machine tool units per year and today, overall production is about 10,000 units. Of course, the number of units does not indicate the value of production, but does show how the market was being saturated and the direction in which the numbers were moving.

[Vejrosta] Of course, production cannot be judged by a mere comparison of the number of machine tool units before and after the war because at the beginning of the 1960's numerical controls began to be used: The complexity of machines rose and factories automatically achieved a one-third level of production, but with essentially greater productivity. Thus, the decline is not an expression of the absolute devastation pertaining to the production of machine tools, but has to do particularly with the advent of electronics.

[Capek] It is perhaps debatable, but maybe we should not claim that we were at a world or European peak during the first republic. This is attested to by the export of machine tools which, during the first republic, were not shipped to the developed countries of West Europe or to industrially developed nations, but were essentially and predominantly shipped to the Balkans, to the former Soviet Union, and to a number of Asian countries. However, some firms were really key enterprises. For example, Kamenicek of Hostivar or Volman at Celakovice. What is interesting is that our machines are still known under these trade names, particularly in traditionalist Great Britain and possibly in other West European countries.

[Kaderabek] After World War II, exports also involved developed West Europe. For the most part, however, these machines were purchased by customers who were not decisive factors. It was more a question of smaller enterprises and private entrepreneurs.

[HOSPODARSKE NOVINY] The disintegration of traditional markets after 1989 resulted in dramatic problems for the majority of Czechoslovak enterprises. How successfully are you able to reorient to a different kind of clientele?

[Capek] With respect to the export of machine tools and metal-forming machines, the situation was still stabilized in 1989 and continued that way through 1990 because contracts and agreements concluded with CEMA countries in previous years were running out. In view of the fact that there were functioning clearing systems, exports also functioned. It was not until 1991 that there was a substantial turnaround, when exports to the former CEMA countries declined dramatically to approximately one-fifth of their previous values. If we were to compare this in comparable prices, then 1989 exports of metal-forming and metal-cutting machines

and machine tools were valued at 6.9 billion korunas [Kcs], one year later the value was Kcs5.8 billion, and in 1991 these exports dropped to as low as Kcs1.05 billion. Virtually the same phenomenon affected imports of this equipment to Czechoslovakia in 1991 because previously initiated investments were coming to a close. In terms of magnitude, the import of metal-cutting and metal-forming machines also dropped to about one-fifth of its previous volume.

[Kaderabek] As far as the domestic market is concerned, recent years have unfortunately seen a substantial decline in the sales of our machines. Sales on the domestic market are now at a minimum level and it can be said that they are virtually nonexistent. To sell machines in Czechoslovakia at this time is a greater problem than to sell them abroad. Our enterprise used to export about 70 percent of its production to foreign countries; fortunately these exports went predominantly to countries with a market economy, so that the disintegration of the eastern market did not impact on us so much. However, to sell the remaining 30 percent in Czechoslovakia constitutes an insurmountable problem today, it can be said. Given the current worldwide crisis in the sale of machine tools, the shortfall on the domestic market thus creates great difficulties for us.

[Tomek] The current situation in Czechoslovakia is characterized by three influences. On the one hand, it is the program of survival. The majority of enterprises did not have and do not have any long-term program prior to being approved as corporations and that is why they halted all investments. And in this country, the machine inventory is relatively obsolete. Today, Czechoslovakia has in operation approximately 200,000 metal-cutting machines. Approximately 25 percent of them are more than 30 years old and are in need of renovation. This is in direct conflict with the restriction of investments. The third express influence is represented by the European situation in this sector. As a result of recession, even well-known Western firms are having great difficulties. For example, in West Germany there are enterprises which always enjoyed good sales. Now, they are working four days a week and are restricting production. And we have fallen into that situation.

[Flidr] We have outstanding invoices amounting to five or six months' worth of production with our customers. This is catastrophic. Our obligations are approximately half of that. We are feeling a serious shortage of cash which is manifesting itself, among others, in the fact that suppliers are refusing to sell us materials even for items for which we have orders in hand. There are cases where we have a material shortfall valued at Kcs500 and we are unable to obtain these materials as long as we do not pay off a debt of Kcs5 million. As far as customers from the West are concerned, we have, thus far, not encountered a situation in which one of them failed to adhere to agreed-upon payments conditions.

[Otepka] In the 1970's, we were producing 140 machines per year; in the 1980's, we were producing approximately 100. We exported 10 to 20 percent of our production to Western markets, 60 percent went to the East, and the remainder stayed at home. In 1991, our production numbers amounted to 66 machines per year and exports to the East amounted to zero. We dealt with the situation by expressly increasing our exports to the West in cooperation with Strojimport. At the same time, however, we had to substantially reduce the number of our employees. We continued to work five days a week and, for the present, we tend to have problems more with fulfilling orders than with the fact that we might not have enough to do. On the domestic market, we are beginning to see the first "swallows," when foreign capital which is investing in the CSFR is making purchases for the domestic plant.

[HOSPODARSKE NOVINY] Our enterprises are, for the most part, badly undercapitalized. What kind of interest do the banks have in this sector?

[Koucky] The decline in investments in the machine tool sector is caused precisely by the decline in sales. The bank is attempting to use credits to support those sectors which hold a certain promise. Under present conditions, when even the banks are behaving in a market-oriented manner, their principal interest is in placing credits where enterprises show the greatest value, that is to say, when the return of the credits to the bank is threatened to the least extent. Unfortunately, it is precisely this sector which, as can be seen from the listed numbers, is expressly impacted by the loss of its markets. That is why the interest of the commercial banks and the monetary institutions as a whole is declining with respect to the manufacturers of machine tools. The monetary institutions will now be interested in the course of privatization. On the basis of privatization and because of possible contacts with foreign partners, additional sales opportunities may open up; increases which will involve sales to Western markets, as well as to the other side.

[Capek] The government has terminated its policy of so-called government credits and some of them are just running out. But why could we not, say, in five years when our economy becomes stronger, afford to have some credits supported by the government? This is customary even in a market economy. For example, the Spanish or the Italian Government, by providing relief in terms of indirect taxes or by providing advantageous credits or by supporting the bank which makes such advantageous credits available, support their own production and exports of machine tools. This is naturally also true of other sectors. I encountered this, for example, in Argentina, where Italy and Spain offer metal-cutting and metal-forming machine tools and other engineering products for six- to 10-year credits under extraordinary interest conditions.

[Vejrosta] I believe that it is also necessary to state the reason why investments in manufacturing facilities are not made in our country, so that we not condemn the

machine tool sector as a whole. Primarily, there is the immensely great influence of the conversion of the armaments industry. In my opinion, this conversion has a minimum 20-percent decline in sales on its conscience. With respect to some factories, this figure will be even greater. The uncertainty at enterprises, based on the degree of privatization, also plays its role. I therefore expect that if we have all now been approved as corporations or as variously privatized units, investment will begin. At present, the fabricator who is manufacturing smaller machines has the advantage because the private sector is beginning to make purchases. For the time being, the private sector tends more to buy secondhand, that is to say, machines after their general overhaul, etc., but gradually, as entrepreneurs acquire money, they are beginning to invest in new machines also. I do not want to be a fortune teller, but I anticipate that over the next six months, the market in Czechoslovakia will improve substantially.

[Tomek] The overall influences in the sector are, for the time being, predominantly unfavorable. I agree with Director Vejrosta that we are perhaps dealing only with a short-term period of perhaps one to two years. It is inevitable that, to the extent to which we are to continue to exist in engineering, the technological base must be rejuvenated. Certain signs of rejuvenation are already visible. According to our estimates, some 30,000 to 40,000 new machines must show up in industry within five years. They will likely be different machines than those we know today. For a temporary period, everyone is trending toward simple conventional machines. But in view of the fact that comparable productivity in Czechoslovakia is far lower than that in West Europe, investments will have to be channeled to more sophisticated machinery.

[Vrbka] The production of high-quality machine tools is of immense importance to the economy of the state. It is a factor in fundamentally increasing the efficiency of the entire national economy. That is why I think that the machine tool sector should be ranked among the priority tasks which are monitored or evaluated in a certain way, much the same as some other special tasks are viewed.

[HOSPODARSKE NOVINY] We spoke of domestic banks. What opportunities for cooperation loom with respect to foreign partners?

[Sulma] If you look at the world market, you will find that 45 percent of all machine tools are manufactured by the Japanese and the Germans. The Japanese firms expanded their sales to the U.S. market in the 1970's and are now even advancing into Europe. The German market is structured a little differently. Although there are many large enterprises in Germany, they tend to be structured like medium-size enterprises. Moreover, the machine tool industry in Germany went into recession last year so that manufacturers are having relatively significant problems on the domestic market at present. Before any kind of enterprise expands its activities abroad, it is first trying to solve its own difficulties at

home. Today, we can monitor the process of concentration on the German market where enterprises will be merging, either directly with securities capital or will be amalgamating through other cooperative forms. I therefore believe that German firms will first have to rid themselves of their domestic problems before penetrating into the Czechoslovak market.

Currently, Japanese firms are occasionally said to be slower in establishing contacts with Czechoslovakia. I would not say that they are slow about it, but they collect much information before investing in an environment with which they are not very familiar. However, it is true that their interest in Czechoslovak engineering enterprises is relatively low for the time being. On the other hand, the Czechoslovak market will, in the future, be certainly very important. The age of machine tools in use is great and trade in these machines will, therefore, be interesting. I believe that we shall see a greater interest on the part of foreign investors in the second phase.

[Flidr] I must mention that we are already seeing a great amount of interest in cooperation on the part of German firms because we are of interest to them both from the standpoint of manpower and also quality. Our machinists continue to demonstrate their ability. At first, this will clearly be a matter of coproduction and later of capital participation. It is a matter of course that we shall mainly require electronics and some parts of hydraulic systems from the Germans and from any other foreign partners. Financially, we are no longer being restricted by anyone; we can buy anything abroad, so that the quality of our machine tools is currently increasing.

[Vejrosta] I believe that all of us from the enterprises who are sitting here have at least five to six partners "in process." Some contacts are developing very promisingly. For understandable reasons, we cannot mention any specific names for the time being, but one thing is certain: Our enterprises are counting on collaborating with foreign countries.

[HOSPODARSKE NOVINY] What is the status of the Czechoslovak production base and how do we come off in a comparison with foreign countries?

[Vejrosta] The average age of customarily used machine tools in our country is around 26 years and the average age of special machines, such as those we produce, is 19 to 21 years. If we wish to keep pace in terms of quality with developed countries, then we must renew our manufacturing installations. We figured out that, in our production program, there are approximately 6,000 machines that should be replaced over the next 10 years.

[Vrbka] Only for purposes of lustration—the age of machines in the engineering industry is about 18 years. If machine tools are 20 to 26 years old, then this indicates that we did not invest precisely in the base which we need most.

[Vejrosta] As far as foreign countries are concerned, the United States lists [the age of machinery] 12 years;

Japan, nine to 10 years. It can be said that the optimum age of machines is nine to 13 years. In our country, this age is actually 19 years, but it is more likely true that machines operate for 22 to 26 years. Some are even substantially older.

[Capek] I would only like to very briefly add some interesting numbers from the FRG. Over the past five years, the percentage of machines younger than five years in use there increased from 11 percent to 16.6 percent. This very specifically shows the kind of leap Germany made in introducing new machines. And the number of installed units is declining. In 1976, Germany was operating a total of 1.4 million metal-cutting tools; in 1990, that number declined to 1 million, accompanied by the same or a greater degree of productivity.

[Vrbka] The worked-out privatization projects indicate that in the years 1992 through 1993 our factories will require delivery of 30,000 to 40,000 machines. It is true that, for the present, this will not involve specifically key products, but will involve primarily machines with improved control systems.

[HOSPODARSKE NOVINY] The further restructuring of many still superfluous large enterprises is connected with privatization....

[Vrbka] Virtually 90 percent of the manufacturers of metal-cutting machine tools will be privatized in the first round. Specifically, of 15 enterprises in the sector of engineering production equipment, 13 are in the first round. The majority of them are anticipating restructuring. Essentially, nothing has remained in place. For example, TOS Kurim was broken up into five individual legal entities. TOS Celakovice broke up into two units by the creation of a holding corporation there; the Kovosvit Enterprise broke up into three legal entities and is also creating a holding corporation and ZPS [Precision Machine Tool Plants] Zlin is already virtually a holding corporation.

[Tomek] The structure of the metal-cutting machinery industry in our country is truly completely different from that in West Europe. The average size of a Czechoslovak enterprise runs to 1,500 workers. For the customary interested party and investor from the West, such an enterprise is exceedingly large. They are simply afraid to participate with their capital in a firm which employs 5,000 people. This is a giant enterprise, even for West European conditions. Firms in West Europe make do with 400 to 600 employees. Of course, a condition for this is that the subsupplier network functions at a high degree of quality. In our country, the entire subsupplier and finishing base actually does not exist. We tend more to have a combine form, in which enterprises do everything themselves. Privatization as well as direct sales under these conditions are difficult.

[Koucky] Our bank was one of the first monetary institutions that was willing to discuss various loans for

large-scale privatization—and I am not specifically referring now to the machine tool sector. From our viewpoint, we see validation, on the one hand, of the decline in sales and the resulting degree of uncertainty with regard to the future, and on the other hand the fact that enterprises continue to be excessively large. This was reflected in the fact that I do not recall an application from this sector in which management was proposing the direct sale or a public competition either as a basic or as a competitive project. I believe that this is precisely proof of the problems which exist in this sector.

[Vejrosta] I would not be skeptical at all. This is not appropriate. I believe that privatization has gone well. What is positive is the fact that we are beginning to compete. The manufacturing base for metal-cutting machinery has not been shattered, neither has the sub-supplier network. As far as the concern that we have large enterprises employing 5,000 people is concerned, we shall, as a matter of course, shift to subsidiary corporations. We are disassembling enterprises into units of 200 to 300 workers, as is customary in West Europe. This means that we will have a separate foundry, or a pattern shop, or a toolmaking shop, for example.... If a partner turns up who is interested, say, only in the foundry, he will participate specifically only in the foundry operation with a relatively high amount of capital participation. Despite the fact that organizations are preserving certain features of technological tie-in within a given factory, the independent units will act to amalgamate them.

[HOSPODARSKE NOVINY] We have touched several times upon the problem of quality. Can you evaluate, in a self-critical manner, what the technical level of our machinery is?

[Flidr] The past has left its signature on our manufacturers primarily by the fact that shortfalls in electronics were replaced with mechanical components. Today, these are at a very good level, their well-thought-out nature is even better than that in the West. We are now reaching a situation in which our manpower is cheap and subdeliveries from abroad are expensive. So that again nothing is compelling us to replace, say, mechanical transmissions with electronic devices. This constitutes a certain disadvantage with respect to further development. Domestic machine tools, of course, look somewhat obsolete, but, from the standpoint of their parameters and accuracy, I believe they are of median quality. And prices are lower than those for foreign machines.

[Capek] The question of prices cannot be simply generalized. If we were to say that we are 20 percent cheaper than European manufacturers, this would be true only in some cases. But if we were to average this out, then we are truly 20 percent, and in some cases perhaps even more percentage points, cheaper. Unfortunately, the reputation of our manufacturers and exporters of metal-cutting machinery was significantly disrupted over the past 20 years by a lack of quality with regard to electric and particularly electronic elements, and sometimes

even hydraulic elements. I have worked in the metal-cutting machinery trade for more than 26 years and I believe that we are capable of achieving a very good European standard. I believe that in some cases we are even already there. However, we are being handicapped precisely by a reputation as former poor suppliers of spare parts, of poorly or slowly handled service calls by service groups, etc.

[Vejrosta] It is somewhat of a paradox that we are now producing many conventional machines. There are two reasons for this: Now that we have acquired the opportunity of purchasing electronic elements without foreign exchange limitations, we have yet to develop our machines. In the past, we had everything adapted to the Czechoslovak numerical code and to our hydraulic elements. We are now just catching our breath. This tends to suit us still for the time being because the cost of manpower is not great and our classical machines sell better than those with numerical controls. And we earn a little bit of money that way, too. Nevertheless, over the next few years, we must make up this loss in the area of electronics and numerical control.

[HOSPODARSKE NOVINY] Evil tongues from time to time claim that our manufacturers virtually only supply the castings for sophisticated machines—which account for about 20 percent of the price and that the remaining 80 percent is represented by the costs of foreign hydraulics and electronic elements.

[Vejrosta] This is not completely true. Numericals account for about 22 to 27 percent of the price. Our hydraulics are not bad, as long as the enterprise as direct contact with the manufacturer. Hydraulic components are even exported to approximately 37 countries. With good management, the overall price increase for importing a numerically controlled machine is approximately 32 to 33 percent and no more.

[Kaderabek] We are the manufacturers of smaller metal-cutting machines. As far as numerically controlled milling machines are concerned, the ratio is higher for importing them—approximately 60 percent of the price. In view of the current decline of interest in numerically controlled metal-cutting machinery, we were left with no choice other than to curtail this production. If you fail to sell a numerically controlled machine, you have incurred perhaps even Kcs1 million per unit in costs, and that is a big amount. With respect to conventional machinery, these costs are naturally substantially lower.

[Otepka] I would say that in our case the share occupied by purchases runs approximately around 40 percent. This depends on the wishes of the customer. One thing more about conventional machines. Our enterprise produced them in a marginal fashion in the 1980's. Today, we have partially returned to this fabrication. For us, it is a certain way of surviving, because there is interest in this machinery both abroad and at home. Among foreign

customers, it is predominantly customers in Austria and Germany who purchase these machines, for example, for their maintenance shops.

[Flidr] Some of our subsuppliers have rapidly approached the level of foreign prices. So that the prices of Czechoslovak subdeliveries have risen by approximately 100 percent. In contrast, the prices of our machines have risen only by about 40 to 50 percent.

[Vejrosta] Moreover, Czechoslovak suppliers do not give us quantity discounts. Then it happens that some deliveries from abroad are even cheaper than those from domestic manufacturers.

[Otepka] Enterprises which establish contacts with foreign countries involving the direct purchase of subdeliveries are having their eyes opened. Our subsuppliers will obviously have to look around in their own environment. They will find that, in a short while, the situation for them in the market will not be a rosy one. Collaboration will be decided on the basis of quality, price, as well as the size of the discount. For the time being, however, our suppliers are, for the most part, not accessible to these considerations.

[HOSPODARSKE NOVINY] Do you believe that even under conditions of strong foreign competition and in an unfavorable economic situation you will be successful in preserving and further developing the production of machine tools?

[Vejrosta] As far as the technical potential is concerned, we have enough to join in the competition. We are a little worried about our younger designers who are fleeing to other trades. But that will pass. Thanks to the possibility of making purchases abroad, we can compensate for some of our shortcomings. We will surely need the confidence of the banks with regard to the fact that every factory for the manufacture of machine tools will also have to incorporate several new machine tools into its technology pool in order to preserve its competitiveness. If we maintain the development potential of machine tools and if we succeed in expanding the production of tools, I believe that we are competitive. But let us spread that over a period of three to five years.

[Sulma] In comparison with German or other foreign manufacturers, however, this industry will have to make heavy investments—in this industry, investments will play perhaps even a more important role than in any other sector. That is why the collaboration between domestic enterprises and foreign firms will be so important.

[Tomek] From time to time, the question is debated as to whether the state should not somehow intervene in the production and development of machine tools. I do not believe that any kind of state intervention or subsidies would be appropriate. On the other hand, it is a pity that the state has completely stepped into the background in the area of research and development. This area is

essentially left completely and pragmatically to the decisions made by enterprises. I have the feeling that not even West European governments do it this way, that certain advantages do exist, including indirect tax relief, etc., which act to support research and development. If we do not do something similar, then the loss of tempo will be significant. Teams of people who work on drive mechanisms and key items in the area of modules are being gradually lost and dissolved because there are no resources from which to pay them. Statics, dynamics, oscillation, these are not disciplines which can be learned in a year or two. Designers mature over a period of 10 years. If these teams are dissolved, it will be a very long time before new ones are formed. Machine tools have remained on a relatively decent level. The gap in comparison with West Europe or a world-class product is not so terrible as it possibly is with respect to some other sectors. It is surely worthwhile to develop a certain effort and not to allow the entire sector to be dropped. It is necessary to realize that this involves an investment which will not be repaid in a year or two, but that it is an investment of a long-term character. It would definitely be a pity to let our manufacturers be flattened by competitive firms from West Europe. That would not be good.

Distinctive Features of Slovak Economy Defined

92CH0878A Prague TELEGRAF in Czech 18 Aug 92 p 3

[Article by Ivan Miklos: "Slovakia's 'Distinctive Features'"]

[Text] One of the most frequently used arguments against the economic reform in Slovakia was the contention that what is involved is a "Czech" reform, which fails to take the distinctive features of Slovakia into account. That claim was and is being documented by arguments involving the triple rate of unemployment in the Slovak Republic as opposed to the Czech Republic, the deeper decline in production, the standard of living, etc.

In the first place, it is necessary to stress that this was not and is not a "Czech" reform, nor is it a "Klaus" reform. The Czechoslovak reform is based on generally valid legalities and interconnections, which have been theoretically as well as practically confirmed. It is precisely the fact that these legalities were not heeded that brought the Czechoslovak economy, and primarily the Slovak economy, into the state in which the communist regime had left it.

It is a fact that the negative (albeit unavoidable) direct manifestations of the reform are showing up in a stronger manner in Slovakia than is the case in the Czech lands. However, the causes for that lie in the substantive differences between the Slovak economy and the Czech economy. The Slovak economy has a higher measure of

products at the basic stage of processing, its export efficiency is lower, and its import demands are higher; it has a higher share of weapons production that is in need of conversion; it has a lower-quality infrastructure, fewer smaller- and medium-size enterprises, which are adaptable, etc. A very important and frequently circumvented matter is the fact that the majority of the industrial enterprises in Slovakia came into being under communism, that is to say, in the absence of a market mechanism. And so it also happened that many economic activities were located irrationally, on the basis of subjective decisions (for example, on the basis of local patriotism on the part of the responsible secretary), which is bearing fruit today in the likeness of a decline in production and a rise in unemployment.

The above differences work to the disadvantage of the Slovak economy in the transformation process. However, it must be realized that these are substantive differences, which cannot be changed administratively. Only a fundamental radical reform, which means a systems-wide change, can result in a real solution to the problems.

The difference, or rather the different intensity, of the substantive problems should not lead to demands for different systems solutions, particularly as long as different systems solutions are as inconsistent and unrealistic as those one can read about in the program declaration of the government of the Slovak Republic.

A socially temporary mastering of the solutions to the deeper substantive problems of the Slovak economy as opposed to the Czech economy might be possible provided a joint state is preserved, that is to say, under a functioning principle of solidarity, support, and by utilizing the advantages of a greater and common economic area. Under conditions of the upcoming reality involving the loss of these advantages, there is a real threat of social impassability of the radical reform in Slovakia and, thus, also the impossibility of a relatively rapid solution of a number of the aforementioned substantive problems threatening the Slovak economy.

It can be said with certainty, although accompanied by a permissible dose of simplification, that much as the Austrian economy has fewer problems, the Czech economy has more, and the Slovak economy has even more problems; the Austrian situation demands less, the Czech situation more, and the Slovak situation still more fundamental economic transformation. Such a transformation would obviously, along with changes in systems conditions, result in the solution of the burdensome substantive problems. To reject the reform by referring to the specifics of Slovakia and to be negative regarding the just manifestations reminds me of the arguments of a child who has a toothache, but refuses to have it taken care of because it will hurt even more while the tooth is being drilled.

MDF Representative, Party Deputy Comments

Liberal Representative Interviewed

92CH0874A Budapest FIGYELO in Hungarian
13 Aug 92 p 6

[Interview with Hungarian Democratic Forum Representative Gy. Csaba Kiss by Marton Kozak; place and date not given: "I Have Criticized the Evolving Mameluke System"—first paragraph is FIGYELO introduction]

[Text] *The public regards literary historian Gy. Csaba Kiss as one of the most openly liberal thinkers of the MDF [Hungarian Democratic Forum]. For that reason, it is even more exciting to learn what that insider thinks of the direction in which the largest ruling party is heading. To what extent have state-party endeavors gained strength, and are there any threats we must guard ourselves against? What does he have to say about Jozsef Antall's new letter to Arpad Goncz? Marton Kozak discussed these and other issues with the politician.*

[Kozak] Peter Nadas, a fellow writer of yours who consistently refrains from entering into political debate, has recently written a political piece justifying his act by saying that he is unable to remain silent in certain situations. What do you think, is there a such a "situation" in Hungary today?

[Kiss] I have high regard for and like Peter Nadas, both as a writer and as a human being, but one has to recognize that there is a difference between speaking up in a multiparty democracy versus in a totalitarian state. One cannot avoid being interpreted today in the context of partisan fragmentation; writings like this convey the sense of the writer's position vis-a-vis his attitude toward one or another party, and I do not regard that as fortunate. We need some intellectuals capable of remaining truly independent, because the extent to which intellectuals rally around parties raises concern. I miss intellectuals commanding great moral authority, people who, in given situations, could criticize both the government and the opposition without drifting toward the positions of either the governing party or the opposition. I do not know, of course, whether that can be accomplished at all in today's Hungary. I am certain however, that the idea of whether his statement might support the opposition has not even occurred to Peter Nadas; despite that, however, he had surrendered his independence in the broader political context, an independence I regard as important.

[Kozak] Accordingly, don't you share the concerns expressed by Peter Nadas and others?

[Kiss] By no means the way he presented those, i.e., that signs of an evolving dictatorship could be discovered in today's Hungary, and I do not believe that the actually existing negative tendencies could be construed as some kind of state-party endeavor. Hungary is a constitutional state, and constitutional statehood is not threatened by any substantial political force.

[Kozak] What is your view of the politics of Istvan Csurka, another one of your fellow writers?

[Kiss] I have been observing the process of Istvan Csurka becoming a politician from the beginning. Both of us have been members of the nine-member provisional presidium of the MDF since September 1988; at that time (and even later) far more brakes and barriers than today had been at work relative to Istvan Csurka's political ideas. I recall the large number of ideas he had proposed in those days that had been rejected by that body in a matter of seconds; they were regarded as absurd and he always acquiesced with those decisions. On the other hand, nothing good comes of letting a politician act without controls; I feel that after having drifted into a special position, Csurka had been left to his own, and his uncontrolled views appear in MAGYAR FORUM and can be heard as part of VASARNAPI UJSAG. In his 1988 Lakitelek speech Istvan Csurka used a plebeian tone of voice, consistent with the traditions of populist writers he manifested a left-wing sensitivity, which views the uplift of the lower social classes as the task. It seems that Csurka has forgotten by now that the original idea of the MDF was not an attitude of adaptation, conforming with those on the top, but one that would seek answers from down below, from citizens who would comment on common issues.

[Kozak] But Istvan Csurka is exactly one of those remaining without political control in his party, one who is trying to bring under the influence of the leading ruling party those who lost out in the transformation. Andras Gergely said at a FIGYELO roundtable discussion that from the standpoint of "security" it would be better for the MDF to extend its influence over that strata, rather than letting the strata to be influenced by uncontrolled, uncontrollable forces.

[Kiss] As I hold no political position whatsoever either in the MDF or in the government, I do not know whether that idea consciously exists in the presidium and in leadership bodies. I do not believe so, moreover, I think that problems related to those who lost out in the transformation process have not been appropriately considered by the MDF, and that there has been no appropriate communication with the lower strata of society.

An interesting process has taken place during the past year: Mostly those people remained in local party organizations who expected an improvement in their personal lives as a result of the political turnaround. Had a similar comparative analysis been made three years ago of the members of the SZDSZ [Alliance of Free Democrats] and the MDF organizations in the countryside, researchers would have discovered striking similarities. But because new political formations evolved from the top down, rather significant differences have existed between the mentality and the conduct of the new political elite and the rank-and-file members—between

the team and those who root for the team. With the passage of time the members have acquired some MDF or SZDSZ rhetoric, and have learned how to encourage the players. Very many formerly active members retreated to their professions as large, political changes abated; those people are able to make a living as lawyers, doctors, entrepreneurs or artisans, rather than in the political sphere.

[Kozak] And have the the products of counter-selection remained in the local teams?

[Kiss] I have the impression that to a large extent the most vocal fans remained in the parties, those, who—perhaps by no accident—had also found themselves in marginal-peripheral situations earlier. That, however, is the surface, and unlike others, I do not regard as serious the threat that, for example, the “field units” of the MDF could become the foundations for some evolving authoritarian dictatorship. One should not forget that in those days the organizers of the MDF were not simply forgetful in failing to invite the editor in chief of HUNNIA to Lakitelek.

[Kozak] It seems that such control is working less effectively by now.

[Kiss] I do not know the exact extent to which the MDF is capable of distancing itself from phenomena which I, too, regard as undesirable. Don't forget that NEPSZABADSAG presents the writings of persons who have not only faithfully served the communist system, but have also enforced censorship over those who glorified the march into Czechoslovakia, etc. I believe that Hungarian society is capable of tolerating the publication of both HUNNIA, and of some old-time, communist political writers in NEPSZABADSAG, who had shed their skins.

[Kozak] Is there a trend in the MDF which could provide a real alternative to the prevailing political action trend?

[Kiss] It is virtually impossible for alternative political platforms to evolve in a centralized organization, in which the role played by the party presidium and the faction leadership is far more modest than that of the government. I believe that the organization would be more open and more easily adaptable if a more dynamic relationship were to evolve between the party, the faction and the government, if the personnel overlap between the party and the government were smaller, and if political counterweights were functioning. Society is distrustful of the new party elite—and not without reason—and that should put every party on notice to develop a more open, more flexible internal structure.

But the generational issue is also interesting. Akos Szilagyi brought up the idea that our generation, those in their forties, has played a decisive role in catalyzing opposition movements; at the same time, however, those who acquired key positions after the elections are in their sixties.

[Kozak] Several MDF politicians mentioned the way they felt after the elections: Although they had won the elections, they had lacked the means to exercise power. What is your view?

[Kiss] It should be obvious that several barriers limit the functioning of a democratic government, and precisely those limitations on the exercise of power provide the democratic character of a government. The exercise of limited power in the aftermath of a dictatorship is obviously unusual from a psychological standpoint, but I would not say that those who exercised power lacked the means to do so. That feeling also had another psychological foundation: the incredible speed by which the changes took place. Many could not even believe that the MSZMP [Hungarian Socialist Workers Party] had collapsed in such short a time, and that the MDF had become the strongest party in the country. People were placed in positions of executive power who previously experienced only the nondemocratic way of exercising power; they knew that proceedings and gestures had to be different from those under the communist system, but they did not have a positive model to emulate. Regardless of which political force would have acquired power, all of them would have faced that problem.

[Kozak] The MDF's profile has significantly changed since Jozsef Antall became the party's chairman; during the past year party politicians regarded as extremists have acquired a greater latitude.

[Kiss] I do not believe that Jozsef Antall has driven the MDF in an extremist direction. Undoubtedly, at its start, the MDF carried forward the legacy of populist writers, and that was one of the very important elements of the traditions it espoused. That legacy—with its plebeian elements—has faded away and has lost preeminence, and compared to that, the MDF has become a center party which agrees to represent conservative values. In that framework certain Hungarian values and symbols from between the two world wars have been reinstated, which has not been responsive to the movement of the populist writers. Jozsef Antall has played a decisive role in the process; he implemented this change very firmly. The inability of the populist movement to define itself contributed to the change: After 1987 and 1988 the thoughts, the political definitions of Laszlo Nemeth, Imre Kovacs, Zoltan Szabo, and Gyula Illyes have not been expressed in modern, politically palatable terms, and thus the related set of ideals have not prevailed in the MDF. One must recognize, however, that Jozsef Antall is an outstanding personality of the MDF and of the entire Hungarian political elite, and I must underscore that even more because we often experienced differences of opinion within the MDF presidium, and I frequently criticized in rather harsh terms (unfortunately without success) the evolving Mameluke system [in Hungarian politics, a staunch supporter of the government]. Despite that, however, I do not have an adverse view of Jozsef Antall's qualities as a politician.

[Kozak] He is not being criticized based on his qualifications as a politician.

[Kiss] Even if on balance we are critical of the situation in today's Hungary, generally we find that Hungarian society is calm, it has achieved certain results in the economy, and that many entrepreneurial ventures have started and have severed themselves from the political sphere. I also regard as an accomplishment the fact that a significant part of Hungarian society does not give a hoot about politics. Viewed objectively, I believe that one can assign a satisfactory grade to this period, and the prime minister deserves significant credit for that.

[Kozak] One of Jozsef Antall's virtues is his obvious consistency. His most recent letter to Arpad Goncz also goes to prove that his mind cannot be changed even in regard to the media presidents.

[Kiss] I am not surprised that the "media war" has once again broken out, with the proviso that I do not overrate the political significance of it, but instead find the whole thing to be regrettable. This situation has its primary roots in the pact, in an agreement whose rules are not clear-cut in every respect, not to mention the several incomprehensible details (the MDF presidium had an opportunity only to approve accomplished "facts"). Thus, in terms of distribution of power in Hungary, a situation evolved in which the largest opposition party acquired a significant position (the head of state), and the influence of persons close to the SZDSZ remained strong in radio and television. The fact is that Hungary is the only country among the former socialist countries in which the media managers of the communist nomenklatura were not dismissed. It is not easy to find a good compromise today. However paradoxical that may be, we may be encouraged by the fact that both Arpad Goncz and Jozsef Antall find themselves in mutually impossible situations; what would happen if both sides were to simultaneously yield some of their positions?

Vice Chairman Interviewed

92CH0874B Budapest TALLOZO in Hungarian
6 Aug 92 p 1,509

[Interview with Imre Furmann, Hungarian Democratic Forum vice chairman, by Tibor Krecz; place and date not given: "The MDF Has Been Shaken Up by Its Election Fiascos"—article reprinted from ESZAK-MAGYARORSZAG, 1 August 1992; page not given; first paragraph is ESZAK-MAGYARORSZAG introduction]

[Text] *The way a decisive governing party views its internal conditions and political situation should be of interest in every season, including during summer vacation. Our reporter conversed with Hungarian Democratic Forum [MDF] Vice Chairman Imre Furmann.*

[Krecz] The MDF developed a nationwide network of organizations in 1989, during the classical period of party building. How does the party organization stand today?

[Furmann] I will mention some June figures: We have 27,318 members in Hungary, and we number 30,000 if we count our members residing abroad. I would add that the figures are real. The fluctuation of attrition and new memberships has not avoided the MDF either, but the membership has increased by about 800 since last December. There are 825 MDF organizations in the country. Our sociological and political science research indicates that about one-third of the members and organizations is particularly active, which could be regarded as unfavorable if compared to a higher ratio; on the other hand, no one could really count on full-scale activity between two campaigns, at half time.

[Krecz] How about the membership composition?

[Furmann] The composition of the MDF membership proves that the MDF is the people's party. Virtually every age group, occupation, and income level is represented in the party. The employee stratum provides the backbone; in terms of age groups, those between 30 and 50 lead the way.

[Krecz] Returning to 1989: The MDF had been able to beat every other party in enlisting the support primarily of the humanist intelligentsia from the countryside, people who were able to set an example that could be followed by small communities of people. It also defined the past. Consider the tenor used by the MDF. In 1992 the MDF appears to be a party using harsh words and engaged in politics. Isn't there a threat that the element mentioned before will remove itself from the local organizations for that reason?

[Furmann] It is indeed a realistic threat, I am sorry to say. Generally speaking, situations in which various persons and groups do not have a voice commensurate with their values in a political organization represent a problem. From the standpoint of transformation, I also regard as very dangerous that this social group—also very important from the standpoint of the MDF—does not manifest the same level of activity in public life as it did before, or as the historical situation would demand. I do not dispute that the political sphere is responsible for it, of course. To give you an example: Agriculture is undergoing an epochal transformation, and I do not believe that the agricultural intelligentsia can be won over to support the change as long as we call them "green barons."

[Krecz] To what extent does society as a whole support the MDF? The MDF could be regarded as a yardstick, successful policies could mean more than just the party's success, while its fiascos could have an impact on the entire country....

[Furmann] One cannot, one must not attribute more to any party's activity and significance than it deserves. We

are working to succeed. People should look for things that could be improved if we fail to produce results, rather than looking for the cause of trouble on the outside, faulting people. The MDF is the party most capable of streamlining various views held by people. The idea of allowing free organizing efforts a year and a half ago had also served the purpose of broadening our base. Under this system we are able to demonstrate that streamlined work is possible even if the people's views differ. Some caution is also recommended with respect to society's assessment of party work; the way I see it, citizen organizations, certain interest groups are capable of participating in public life on a smaller scale, without political overtones, which is very valuable.

[Krecz] We should not part without mentioning the two interim election campaigns, the one in Bekescsaba, and the other in Oroszlany! Without disputing that others, too, have struck hard, the MDF got into the rink and punched hard to make its opponents collapse.

[Furmann] Spiteful voices can always be heard on both sides in the course of political debate. I regard as particularly sad that in these two cases the debates were demagogic and charged with emotions. Both our candidates started with well-developed programs, and when you have such programs, a similarly well-developed political strategy is indispensable. The two election fiascos not only shook the MDF, but also shook up the MDF.

[Krecz] Speaking of interparty relations: This summer's sensation was a new act in the grand operetta performed by the Independent Smallholders Party [FKgP]. The MDF has not surrendered the FKgP, it sympathizes with a party that is becoming less and less attractive to sober citizens, which may act as a boomerang.

[Furmann] The popularity of parties in general is on the decline; based on that one could regard cooperation with any party as risky. We will find out by the millennium whether it is possible to create civil order in the country. The FKgP includes all those values and personalities with whom it is worthwhile to cooperate in order to achieve successful transformation. I hope that internal development among the smallholders will soon enforce such values.

Media War: Controversy Continues Through Summer

Csurka's Producer Suspended

92CH0876A Budapest TALLOZO in Hungarian
No 33, 13 Aug 92 p 1,543

[Article by "te": "Civil Rights Violated"—article reprinted from PEST MEGYEI HIRLAP, 7 August 1992; page not given]

[Text] Is Istvan Csurka permitted to prepare notes? Is he permitted to read those notes as part of a radio broadcast? He is not, according to Csaba Gombar. The above-the-law president of the radio who felt that it was not worth his while to subject himself to an examination by a parliamentary committee (not even presidents of the United States would dare to do so!) has decided to abridge Istvan Csurka's civil right as a citizen to express his views, and to suspend the radio editor who enabled Csurka to express his views.

This is a minor, a petty affair, one could say. Csurka's story is still going to be taught in schools when Gombar's name is no longer remembered. And yet, we cannot pass by this case without comment. The kind of view Csurka represents is not at issue here. At issue is whether in the spirit of the international agreement on civil and political rights an editor has the right to broadcast a viewpoint that does not violate the Constitution. Could the president of the radio claim that he is impartial? Particularly when he permits other extreme statements—such as the notes of Julianna R. Szekely—to be broadcast at prime time?

The first amendment to the American Constitution protecting the freedom of the press dates back to 1783. The founding fathers believed that based on constitutional provisions, a partisan media itself would provide guarantees against excesses. True, there was no radio and television in those days. Nevertheless their thesis has backfired. The freedom of the press has become a limiting factor concerning the free expression of views even in America. All that was discussed by journalism professor, Ted J. Smith, in a 1990 issue of the periodical THE AMERICAN ENTERPRISE. Accordingly, even the United States is experiencing trouble.

The president of the radio must not be above society and above the law. The reasoning he provided to support his action to suspend Bela Gyori because he broadcast the Csurka Note is contrary to law. This is not the first time the president has violated the law. For how long is he going to be able to do so?

Antall Criticized

92CH0876B Budapest TALLOZO in Hungarian
No 33, 13 Aug 92 p 1,544

[Article by Gabor Miklos: "Ultimatum"—article reprinted from NEPSZABADSAG, 8 August 1992; page not given]

[Text] The correspondence is ominous. Jozsef Antall's new ultimatum about the media is ominous.

It would be hard to interpret differently the multiple complex sentence uttered by the head of state, according to which "it is necessary to normalize conditions inside the two public service media, to prevent administrative (organizational and personnel) decisions that threaten

the value of programming policy and that increase tensions and adversely influence debate over the media law."

It would be good to know in the summer of 1992 what the term "normalization" means, and it would be even more important for our prime minister to define the proportion in which tastes and trends may be reflected in public service broadcasts. It would be easier to comply if he were to do so. It would be good if he were to establish rules in one of his directives regarding who has the right to claim that certain people or creative groups counter the national interest, are anti-Hungarian, persecute Christians, and heaven knows what else. He should set limits for ruling party good taste and public service good taste. As prime minister, he could determine for how long an institution, a group of people, a citizen, and a public official must tolerate the vilest slander. We need not designate here the place where all that takes place, the forums of such incitement to hatred, of a stomach-turning style, or name those who cultivate all that in Hungary. Jozsef Antall knows them. He has told us several times that he had also been a historian of the press. Accordingly, we need not remind him of the kind of style that has come to life here. In the final analysis, Mr. Antall is now identifying himself with that spirit. He accepts it. The other method is when literate persons of good taste within the ruling party declare with a straight face that they are not aware of such writings, that they do not read newspapers and listen to programs that identify them with their party. (Incidentally, those who wear the national liberal T-shirt have lost so much courage that not even by accident would they speak up against extreme right-wing tirades originating from their friends within the party. They know why.)

The media war is a peculiar battlefield of the struggle for power, for retaining power. There is no chance for peace in the media because people in desperate situations are participants in the conflict. There is no way for such people to reach a normal agreement: the Hungarian to Hungarian interpreter who could resolve the communications confusion is missing. Jozsef Antall's letter exemplifies the situation.

Incidentally, we have already stated that in writing many times, just as we have said that all this is boring, and that the dispute goes on over an unimportant issue, etc. With the passage of months it is becoming increasingly visible that essays on constitutional law and references to various paragraphs serve only as a disguise. Those who provoked the media struggle have established the expropriation of the media as their goal, because a misconception continues to survive stubbornly, according to which the progression of events, the sympathy of the public could change in their favor in response to radio programs, TV broadcasts, and newspaper articles.

The ultimatum-like letter from the head of government promises a revival of the debate. We can predict that the flow of filth against the president of the republic is going to start again; they are preparing the black jack, they will

invoke hankiss and gombar—this way, in small letters—the way csurka does it. The attorneys of the head of government are certainly searching for ways in which to apply a few paragraphs of old government decrees against the unmanageable presidents, and faction leaders of parties that support the government have already pulled out their statement chastising Arpad Goncz. They want to demonstrate who the master really is.

Soros Influence Criticized

92CH0876C Budapest TALLOZO in Hungarian
No 33, 13 Aug 92 p 1,545

[Article by Jenő Balasko: "Fly in the Ointment"—article reprinted from UJ MAGYARORSZAG, 10 August 1992; page not given]

[Text] The harvested wheat—let's call it the truth—bunched together, and with bunches of wheat placed in the shape of a cross await the threshing machine to extricate the grain and to place new bread on our table.

Well, we present here last week's crosses awaiting the threshing machine—the story of those who write while crossing each other's path. Last Thursday UJ MAGYARORSZAG proved the truth of Chrudinak over [TV president] Hankiss. One would expect Hankiss to respond. He did indeed, by making tasteless comments regarding Jozsef Antall's letter to Arpad Goncz, as if Hankiss were hard of hearing, quite obviously because in his view Chrudinak is none other than a pious television employee. Accordingly, when Antall writes to Goncz we can tell who is going to provide the answer. (Disrupting a song by singing a different tune.)

And then: When two National Assembly representatives, Gyula Zacsék and István Balas, submit a proposal to the House of Representatives, György Soros is immediately prepared to make a statement to 168 ORA. When István Csurka reacts with accurate, thus far undisputed arguments, the television people once again awaken Soros, who then makes a statement while half asleep that the person or people involved are half-educated anti-Semites.

All right, we have become used to it. But where are the arguments? There are no arguments. Csurka still has some arguments left. He puts them on paper, and states them by addressing neither Hankiss nor Goncz, but those who threw the ball to him: 168 ORA and Soros. And how do the two institutions react? They do not argue, they do not dispute any one of the arguments presented to them, but take action: There will be no harvest, burn the crop! They get rid of the Vasárnapi Ujság TV program, they change its format, so they say, then complain to the despised people that the government is once again advancing to occupy positions of power. That's all, insofar as arguments against Csurka and the false rumor that the government has distanced itself from Csurka are concerned.

Is it possible to do all this in Hungary? For a foreign citizen to slander a National Assembly representative who happens to be the vice chairman of the governing party, and to cancel his appearance in a radio program? Before yielding to him half of his education? Could it be that a foreign citizen is able to declare that representatives in the parliament are extremists, representatives, who, aware of their duties, practice their professions based on data they possess? Regardless of how magnanimous that foreign gentleman is, he should not over-exert himself to this extent.

Accordingly, only a few respond to things they should be responding to. They demand from Csurka to justify Gyula Zacssek's statement, from Vasarnapi Ujsag to justify Csurka's statements, Hankiss chants in response to Antall's letter to Goncz, and they stop short before reaching the truth by declaring the insults unworthy of a response.

Thus, they will indeed become unworthy—to do anything else.

SZENT KORONA Editor Romhanyi Arrested

Homicide Alleged

*92CH0875A Budapest HETI KIS UJSAG in Hungarian
31 Jul 92 p 4*

[Article by A.K.O.: "Is the Hungarian Right Going To Be Crushed? Romhanyi Arrested"]

[Text] Laszlo Romhanyi, the director of the Jurta Theater, the editor in chief of the newspaper SZENT KORONA, and the head of the Hungarian National Alliance [as published], i.e., the key figure of the Hungarian extreme right will be a guest at the Budapest Police Headquarters [BRFK] for at least a month. Since the authorities maintain strict secrecy over the real reason for Romhanyi's stay there, we can only cite a ruling by the court having jurisdiction, and reports about the arrest. Like the BRFK, the people at Jurta also ordered an embargo on news reports. Only Imre Bosnyak, Romhanyi's right hand, the managing chairman of the National Alliance of Hungarians [as published] had something to say. What is this all about, after all?

Romhanyi and his team agreed to sponsor Parcel 298 in the Rakoskeresztur public cemetery, which is none other than the resting place for persons executed between 1945 and 1956. Responsibility to care for the parcel was assigned by the Jurta Theater to unemployed persons who sympathize with the Jurta spirit, and Jurta officials regularly checked those persons. On one occasion, unknown people stole 103,000 forints and documents belonging to the National Alliance of Hungarians left behind in Romhanyi's car parked nearby, while Romhanyi performed an inspection. After narrowing down the list of suspects prepared by Romhanyi's people, they accused a young man named Gyula Csapo, age 32, of having committed the crime. At that point Romhanyi's group acted pursuant to law and filed a complaint with

the 10th District police headquarters. Csapo, on the other hand, denied the charges, and investigating police officers were unable to find sufficient evidence against him. Moreover, they released Csapo pursuant to rules. At that point Romhanyi's private enforcement personnel captured the unemployed young man. According to reports, the myrmidons, hardened by crime mysteries, designated a storage room at the Jurta Theater as the detention cell for the person under private preliminary arrest. Csapo was beaten with flag poles (how well we know!) and electrical cables and was punched with bare fists, and, although it cannot be proven now, they extorted from him an admission which they tape recorded. Aware that such "material evidence" would decide the case, they returned Csapo to police headquarters; once there, Csapo, believing that the police would protect him, retracted his alleged testimony. Accordingly, the police prepared a record then released him once again, and as Csapo had no place to go, he once again roamed around in the vicinity of the Jurta Theater. His tormentors took advantage of the opportunity that offered itself, and once again "picked up" Csapo. The brutal interrogation continued until 18 July, when the young man's body gave up. (Csapo's exact age is not known either; some sources claim that he was 37 years old.) A traumatic shock resulting from torture, not the unsparing beating had caused his death, according to medical reports. Csapo became a nuisance after his death and Romhanyi's were forced to report that "someone had fallen ill in the shower and had died." But it took only a moment for doctors arriving at the scene to discover that Csapo had not fallen victim of the lukewarm water that had flowed from the shower.

Thereafter the police took into custody Romhanyi and four of his associates; in the 72d hour of their captivity the Prosecutor's Office proposed that they be placed under preliminary arrest. That, however, required a preliminary hearing, according to the rules of the Criminal Code. No evidentiary proceedings take place at such hearings. Romhanyi remained calm to the end, but tried to clear himself as much as the grave facts permitted him to do so. In his view the victim went to Jurta in response to "simple persuasion," and although Romhanyi was aware of the assault, he strongly chastised his vassals. The case was continued but no indictment followed at that point. Romhanyi, together with his four associates, could be held criminally liable for specially brutal manslaughter and for abetting manslaughter. The crimes have political implications because of Romhanyi's involvement. According to the already mentioned Imre Bosnyak, the authorities were unable to silence the head of Jurta on grounds of his political activities; for that reason they wanted to remove him as a common criminal from the political arena; doubtless, Romhanyi's trial is going to be a show trial. For the sake of propriety Bosnyak added that "Romhanyi made a great mistake if the charges are true."

Aside from all that, the case has certain elements that must not be neglected. Dr. Laszlo Nagy, known to the

press earlier as Laszlo Romhanyi's attorney, removed himself from his former client and refused to agree to defend Romhanyi, the editor in chief of SZENT KORONA, in response to his call. Nagy said that statements that claimed that he was Romhanyi's lawyer were incorrect, and aside from that, the case had certain personal-political elements from which Nagy wanted to distance himself. After Nagy's refusal the Alliance asked Dr. Gyorgy Timar to provide legal representation. Timar acted as the attorney in several cases initiated by Smallholders Party chairman Jozsef Torgyan and his political opponents involving a flood of almost 110 law suits.

Independent Denes Comments

92CH0875B Budapest TALLOZO in Hungarian
No 31, 30 Jul 92 pp 1,447-1,448

[Interview with independent parliamentary representative Janos Denes by (Bujak-Bak); place and date not given: "Political Jurta-Chardas"—article reprinted from KURIR, 23 July 1992; page not given]

[Excerpts] *Gyula Csapo, age 37, a homeless occasional worker, was terrorized for days then beaten to death Friday night at the Jurta Theater. This case stands out among the increasingly frequent violent crimes because it is alleged that a nationally known politician is implicated in the murder case.*

[Passage omitted]

Independent Representative Janos Denes, the best known personality in the independent faction, frequently took part in functions organized at the Jurta.

[Denes] I learned about Romhanyi's arrest only from the press. I am certain that his enterprise finds itself in a difficult situation now. I do not desert people who get into trouble. Jurta played an important role in the history of opposition movements. That's where the Bajcsy-Zsilinszky Society was formed, and that forum, too, organized a number of functions. A meeting of Hungarians from the Carpathian Basin is going to take place there. We should not permit a situation in which those people have to leave disappointed. Therefore, I feel that it is my sacred duty to appear at the Jurta with my family on the morning of the 26th.

[Bujak-Bak] How was your relationship with Romhanyi?

[Denes] Our personal relationship was reserved. I admired his persistence and endurance. As I said: We are dealing with a person in trouble.

[Bujak-Bak] Do you believe that Romhanyi is being persecuted unfairly?

[Denes] I am not the judge in this issue. In any event, the world-wide campaign waged against Jurta, independent from Romhanyi's person, is rather broad.

[Bujak-Bak] What is the substance of the campaign?

[Denes] Anti-Hungarian sentiment.

Right-Wing Disintegration

92CH0875C Budapest TALLOZO in Hungarian
No 31, 30 Jul 92 pp 1,448-1,449

[Article by A.T. and P.M.: "A Strike at the Extreme Right"—article reprinted from NEPSZABADSAG, 23 July 1992; page not given]

[Text] In the wake of information revealed Wednesday many believe that the extreme right-wing movement has fallen apart in Hungary as a result of criminal proceedings initiated against Laszlo Romhanyi.

The question is this: Has there been, (is there) a truly organized, important extreme right-wing movement in Hungary? Experts are divided on the issue: If there was (is) one, the organizations have rallied around the Jurta Theater.

Jurta was dedicated on 10 April 1987, and theatrical director Laszlo Romhanyi, a high school teacher of Hungarian and history, was appointed as its director. Jurta became the center for opposition parties. The MDF [Hungarian Democratic Forum], the SZDSZ [Alliance of Free Democrats], FIDESZ [Federation of Young Democrats] and other political organizations held their initial meetings at Jurta. Romhanyi was unable to influence these parties, even if he wanted to, and was unable to join any of these parties in a leadership capacity. Analysts believe that he shifted heavily toward the right at that point.

Jurta became the rallying point for extreme right-wing parties after the parliamentary elections.

The Hungarian Legitimist Party, the Hungarian National Party, the National Christian Union, and not to the least, the National Alliance of Hungarians found a home there. Romhanyi held offices in almost all of these organizations.

Romhanyi also served as the editor of SZENT KORONA, a newspaper that published chauvinist, revanchist, and strongly anti-Semitic writings. Proceedings were initiated against him at the Pest Central District Court early last year based on the contents and tenor of these articles....

Romhanyi's most recent public appearance occurred on 31 May, on the so-called heroes' day. At "national ceremonies" held at the Jurta he urged right wing cooperation, called Mayor Gabor Demszky—who received a death threat at the same time from Romhanyi's "fellow fighter" Imre Bosnyak—simply an inflated fool, and called for the disbanding of parliament and changing the government.

Romhanyi's character becomes more clear by taking a look at letters written by him to certain official organs relative to the construction of the Jurta Theater. They can be found in certain archives. In virtually every one of these letters he referred to high level contacts.

* * *

The views expressed by political parties and organizations at Jurta differ with respect to the murder as a result of which Laszlo Romhanyi was arrested charged with abetting the crime. Several persons believe that Romhanyi's case is a showcase, nevertheless the chairman is at fault because he did not care about things that went on in the cellar.

Representatives of the dozen or so parties and organizations prepared themselves to leave the building, because the owners, including the wife of the arrested chairman, might want to sell Jurta. Laszlo Palos, the head of the Hungarian Legitimist Party reported that the National Alliance of Hungarians would be welcome at the Belgrad Quai headquarters of the Independent Smallholders Party [FKgP]. We were unable to reach anyone at FKgP headquarters Wednesday afternoon to confirm this information.

Regarding the murder, Romhanyi made a big mistake when he failed to exercise control over those who beat the victim in the cellar, according to Laszlo Palos. He might have been aware of the things that have been going on, but as of recently he no longer dealt with anything—neither his political functions, nor the Jurta—because his new wife attracted all his attention....

The parties within the National Alliance of Hungarians are already preoccupied with the issue of succession. The organization's newspaper was first to find a new caretaker: Imre Bosnyak, a member of the editorial board and the right hand of the arrested chairman will take over the newspaper. Several persons were regarded as suitable to serve as the chairman of the National Alliance of Hungarians: Imre Bodrogi, a member of the SZENT KORONA editorial board, Lajos Szabo, a banker from Vienna, and Tibor Gyori. The name of attorney Dr. Lajos Nagy was also mentioned; he had already defended Romhanyi in the suit involving SZENT KORONA, but Nagy refused to represent the arrested chairman in this case.

Others who have given up the idea of Romhanyi making a political career did not want to see his demise either. They believe that nothing can be done for the time being, but if not guilty, Romhanyi may be rehabilitated when the 50 or 60 representatives of the Alliance take their places in parliament two years hence. They believe that the entire case amounts to no more than provocation.

Prosecutor Comments

92CH0875D Budapest TALLOZO in Hungarian No 31, 30 Jul 92 p 1,449

[Interview with prosecutor Dr. Antal Csevar by Ildiko Saman; place and date not given: "The Prosecutor Comments on the Jurta Case"—article reprinted from NEPSZAVA, 25 July 1992; page not given—first two paragraphs are NEPSZAVA introduction]

[Text] *The flesh was beaten off to the bones of homeless person Bela [as published] Csapo's body in the course of three days of interrogation in the cellar of the Jurta Theater, Prosecutor Dr. Antal Csevar, an associate at the division of the Budapest Chief Prosecutor's Office told this newspaper. He supervises investigations.*

As reported before, Laszlo Romhanyi and four of his associates are suspected of having committed a particularly brutal murder, and are under preliminary arrest pending indictment. Romhanyi, the well-known extreme right-wing politician, director of the Jurta Theater and the editor in chief of SZENT KORONA went to the cellar several times and directed his men to shape up Csapo and to give him food to find out where Csapo had concealed a briefcase containing money and documents Csapo had stolen from Romhanyi's car, according to testimony. And once the "hospitality" failed to produce results, Romhanyi ordered Csapo's continued beating.

[Csevar] The police questioned Romhanyi as a witness at first, because at the beginning of the proceedings the role he had played in the commission of the crime was not entirely clear. It was revealed in the course of questioning that Romhanyi not only tolerated the interrogation of a person in the cellar of the Jurta Theater, but also abetted and encouraged the crime. That was revealed primarily by his own testimony, he incriminated himself relative to the coercion which, according to his own statements, amounted to the scaring of the victim. Only thereafter did I, as the prosecutor propose to the Pest Central District Court that Romhanyi be placed under preliminary arrest based on substantial grounds to believe that he had committed the crime of an especially brutal murder. After a three-hour hearing the court concluded that the suspicion was well-founded and that there was cause for preliminary arrest.

[Saman] What was the basis of your statement?

[Csevar] I based my statement in part on testimony provided by Romhanyi's accomplices, who said that Romhanyi had gone down to the cellar several times and that he must have been able to see the condition of Csapo. The opinion of medical experts details the external injuries suffered by Csapo on three pages and in 29 points: he had suffered internal, interstitial bleeding 5-7 centimeters deep, fully covering all his limbs. That means that they beat the flesh off that unfortunate man, that they beat him to his bones. At the same time Csapo did not suffer directly fatal injuries, i.e., he was not struck in the head or stabbed to death. The cause of death: shock resulting from torture. For that reason, the grounds for the suspicion are nonfatal bodily assault, because the case involves prolonged assault committed with brutal cruelty, a kind of activity known to any sane person to cause death.

[Saman] Is Laszlo Romhanyi sane?

[Csevar] In cases like this we always order a psychiatric examination of the suspect. I have given instructions to that effect in Romhanyi's case.

[Saman] How did Romhanyi conduct himself as a suspect?

[Csevar] Romhanyi refused to testify at the time he became a suspect, and objected to the allegations against him from the outset on grounds that Csapo had gone to the Jurta voluntarily, that he had acted freely when he showed the place where he concealed the stolen items. I rejected his objection because he had been taken into custody consistent with law and because the suspicion of having committed the crime continued to prevail. In testimony given at the hearing before the court Romhanyi denied guilt in abetting the beating, and condemned the brutality. His earlier witness testimony and incriminating testimony provided by the four persons who performed the beating conflict with Romhanyi's denial of guilt in court.

[Saman] From a legal standpoint, what is the difference between bodily injury resulting in death on the one hand, and specially brutal manslaughter, on the other?

[Csevar] The first case draws a prison sentence of two to eight years; the second case is punishable by 10-15 years, or life in prison.

[Saman] Several people, primarily those who share Romhanyi's ideals, believe that it is a political case, and that they want to get rid of Romhanyi this way—a politician who irritates those in power.

[Csevar] The falsehood of such statement is shown by the fact that at the Chief Prosecutor's Office I was the one to be assigned to handle the case, the one who deals with acts involving people's lives. And I must state that nothing extraordinary has happened, I have not received a single telephone call, my boss has not even "conversed" with me concerning the case. And we are observing procedural rules to a maximum extent not because of Laszlo Romhanyi's person, but because it is the procedure we follow in regard to any grave crime. In this case, just as in other similar cases, I am providing increased prosecutorial supervision; that means that the police must continuously report on various actions taking place in the course of investigation and of developments in the proceeding.

[Saman] How long could the investigation last?

[Csevar] The investigation must be completed in two months according to the law, but this time limit may be exceeded because of expert examinations.

Finance Ministry's Jan-Jun 1992 Report
92CH0871D Budapest FIGYELO in Hungarian
13 Aug 92 p 4

[Unattributed article: "Finance Ministry on the First Half of the Year"]

[Text] Current information does not suggest a pronounced change in economic processes, according to an analysis prepared by the Finance Ministry based on recent data for the months of May and June; stagnation

continues to be characteristic and there are no signs to indicate that an economic upswing is gaining strength.

Foreign trade data for the first six months of the year support the prediction that it is possible to count on a (5-7 percent) expansion of demand for exports and in export performance. Exports produced \$5.1 billion in revenues, which exceeds last year's performance by \$700 million. The increase in the volume of exports during the first six months is estimated to amount to between 7 and 8 percentage points; the comparison included items sold for rubles during the base period. The volume of industrial consumer goods and agricultural products has increased.

Imports fell short by 15 percent of the volume during the same period last year, which required more than 600 million rubles, and between \$300 million and \$400 million in expenditures. The June data indicates that the export surplus of the previous months has disappeared; according to customs statistics, a small negative balance (of about \$40 million) has evolved. A current balance of payments surplus continues to exist as a result of imports not requiring payments and because of a surplus in service exports, foreign tourism, and individual foreign exchange accounts. (The balance of payments surplus amounted to \$530 million in late May.)

A relatively insignificant constraint on demand may be seen. Reduced individual consumption is also indicated by an increase in individual income identical to the low rate seen in the previous month (total income exceeds last year's total income during the same period by 21 percent, while income derived from work is 13 percent higher), savings continued to increase (by 20 billion forints in June, and by 132 billion forints during the six month period), and retail sales also remain at low levels. Data reflecting demand for accumulation purposes will be available a month from now; based on the the low level of imports and production (and the relatively larger ratio sold) one could say that investments are not increasing at all (or not substantially), while inventories probably decline significantly.

Forecasts concerning this year's inflation, external balance and exports can be confirmed. (Consumer prices are increasing at a rate of between 20 and 25 percent, the balance of payments surplus may turn out to be \$500 million, while exports may increase by 5-7 percentage points.) Domestic demand is supposedly going to decline further. As of today, the most probable scenario is that individual consumption is going to fall behind last year's consumption by 2-4 percent, investments will come close to last year's volume of investments at best, and inventories could significantly decrease. Monetary liquidity should not stand in the way of the possible start of an upswing. Nevertheless the conduct of those active in the economy is influenced by specific demand, expectations for profits, real interest rates, etc.

Based on what we know today, favorable changes in production cannot be expected at all, or if they can, only in the final months of the year. That means that total industrial production could fall short by 10 percent of last year's industrial production (a few percentage points more if stagnation continues close to today's levels, or, somewhat more, if an increase in production starts.) The performance of the food economy may decline even more (10-13 percent) depending on natural and market conditions.

Based on all of the above, at the level of the national economy the GDP is expected to decline by 2-5 percentage points, more than what has been predicted.

Privatization Trend Seen as 'Renationalization'

92CH0871C Budapest FIGYELO in Hungarian
6 Aug 92 pp 1, 13

[Article by Eva Voszka: "Renationalization Continues"]

[Text] As the author has already described in the latest volume of the Financial Research Corporation's "Reports from the Tunnel," contrary to last year's government claims concerning privatization, a conversion of enterprises into corporations, rather than their transfer into private ownership has gained strength. The same trend continues this year.

The State Property Agency [AVU] is accumulating property under its ownership at an increasing pace as a result of converting state enterprises into corporations. After centralizing the right to sell the firms and business shares in 1990, this process represents the centralizing of all ownership rights by now, and amounts to none other than renationalization.

The official justification for the start of renationalizing, just as for adopting the law that mandates all enterprises to convert into corporations—also accompanied by renationalization—is that the move would accelerate privatization. It is worth analyzing the new, not exactly reassuring, developments based on data released for the first half of 1992.

Columns of numbers that characterize the AVU activities indicate that last year's trends continued during the past months. Governmental activity has increased,

which has manifested itself mainly in the expansion of the scope of direct state ownership.

The column showing the number of decisions made by AVU reveals that while the number of AVU decisions in the first six months of 1992 has exceeded the number of decisions made in the same period in 1991 by one-third, the number of enterprise conversions has doubled. Two thirds of all AVU actions this year pertained to conversion, as compared to one-third of the AVU actions last year. The decisive preoccupation with enterprise conversions becomes even more conspicuous if one takes a look at the values involved. The value involved in AVU decisions during the first six months of 1992 has quadrupled, and within that, enterprise conversions into corporations has risen from the previous 90 percent level to 100 percent. In other words, the other types of transactions as a whole—including the founding of corporations, capital contributions, the sale of parts of property that generally represent actual privatization—have also declined in absolute terms, and have been dwarfed by the number of enterprise conversions.

1 Trillion Forints

From the standpoint of transforming the ownership structure, the question by now is the extent to which the conversion of enterprises has contributed to transferring the enterprises into private ownership. According to an incomplete list which shows the ownership structure of 242 corporations of the 343 firms that had been transformed prior to June 1992, the AVU's average share amounts to almost 68 percent of the approximately 1 trillion forints' worth of the assets of the firms. This, in the average a two-thirds majority control, represents an absolute majority control (a 75-percent or greater share) in 60 percent of the corporations. In 79 percent of the corporations AVU controls a simple majority (50 percent) of the shares. Some 92 percent of all AVU assets are concentrated in those corporations. The AVU property represents only part of the state's share of property, because state property also includes shares represented by other state enterprises and financial institutions.

On the other hand, it would not be appropriate to claim that privatization has come to a complete halt. During the first six months of 1992 AVU has collected 40 billion forints in privatization revenues as a result of selling property, and that amount is almost as much as the total amount of privatization revenues during the entire previous year. Most of the funds came from abroad.

Number and Value of AVU Decisions¹

| | Number of Decision | | | Value Involved in the Decisions | | |
|--|-----------------------------------|----------------------|----------------------|--|---------------------------------------|----------------------|
| | Jan-Jun 1991 ² each | Jan-Jun 1992 each | Percentage Change | Jan-Jun 1991 ² (billions of forints) | Jan-Jun 1992 (billions of forints) | Percentage Change |
| Conversions agreed to | 67 | 155 | 231.3 | 194.7 | 830.3 | 426.5 |
| Corporate foundings agreed to | 55 | 15 | 36.7 | 7.1 | 4.1 | 57.8 |
| Other property protection | 61 | 77 | 126.2 | 5.6 | 4.8 | 85.7 |
| Proposals rejected | 4 | 1 | 25.0 | 5.0 | 0.9 | 18.0 |
| All decisions combined | 187 | 248 | 132.6 | 212.4 | 840.1 | 395.5 |
| Conversions as a percentage of all decisions | 35.8 | 62.5 | — | 91.7 | 98.8 | — |

¹First six months in both 1991 and 1992; not including preprivatization.
²31 July data.

The above table demonstrates that incorporations initiated by state enterprises and so-called property protection cases have decreased in significance as compared to enterprise conversions. Supposedly, some of these cases became the subjects of simplified privatization or self-privatization rules, while others became part of the enterprise conversion program. (In the table, those enterprises were included in the number and value of "conversions agreed to.") About one quarter of the 437 firms participating in the first phase of self-privatization were converted into corporations, but barely more than ten of them are under private majority control. As expert firms providing guidance relative to organizational forms and changes in ownership have a financial interest, not in the simple conversion of enterprises, but in their privatization, the process may be accelerated in the next period. Similarly, the number of businesses sold (or at least leased) in the framework of preprivatization has also increased by almost 500, and the number of them exceeded 3,500 as of June.

Accordingly, it seems that a majority of the privatization actions consist of the sale of small producer and service units, in addition to the sale of a few dozen large firms (to foreigners). The mass conversion of enterprises into corporations expected to accelerate by the end of this year could counteract that trend. The short deadline for a constrained changing of the organizational form of enterprises required by law by now, may bring to a halt the process of large enterprises breaking up into smaller unit, stimulating a trend of creating "one corporation out of each enterprise."

Delaying Effect

The campaign to pursue enterprise conversions into corporations does not encourage privatization from yet another standpoint. It provides little time and energy for sound preparation: to develop the conversion plan—

thus, among other things, the economic goals, a production and market strategy, an inventory of assets, and drafting a corporate agreement—as well as to reevaluate the assets. It raises concern that the watchword "convert as soon as possible, at any price" becomes most popular among the enterprises and that the AVU is not going to be able to exercise substantive control over the processes, even though the progression of self-privatization could have served as a warning to those who submitted the legislative proposal and to the majority in the parliament. As could be seen, only 25 percent of the participants were able to reach the conversion phase in the course of a year, even though relatively small firms were involved in the process. Supposedly, the reason for that in most cases is not sabotage by the firms: establishing a realistic accounting base and preparing plans is a complex, time-consuming function.

Moreover, the obligation imposed upon enterprises to convert themselves focuses on conversion, thus delaying by at least one year the endeavor to sell shares of property. Irrespective of the intentions, the opportunities will be limited, if for none other but a few, simple technical difficulties. The massive volume of cases will, unavoidably, extend the time required for the state to grant an approval, while in theory the AVU is obligated to evaluate and approve every detail, except in cases involving simplified conversions.

Distributes and Manages

But based on past experience it is reasonable to say that the conversion of state enterprises into corporations does not guarantee privatization. Attempts to sell parts of property owned by AVU did not produce faster results than enterprise initiatives to sell property. The government is likely to be forced to acknowledge soon that the chief obstacle in the path of privatization is not the

resistance manifested by the managements of "independent" enterprises; to the contrary, they have an interest in the privatization process.

Under the new circumstances the volume of ownership shares held by AVU could be reduced quickly only by using methods of distribution. One way to accomplish that would be to transfer the responsibility to manage enterprises slated to remain under long-term state ownership to the large stock corporation to be established; the second way would be to use AVU's ownership share as a contribution to the basic assets of institutional owners, such as social security, foundations and investment companies; and the third way would be to distribute AVU's property share free of charge or at preferential prices in the form of compensation or workers' property. The first path outlined above does not amount to privatization, and even the second path could be called privatization only with reservations. Whether artificially created owners closely tied to the state budget and lacking a solid private interest background could effectively perform in their new roles is doubtful.

If the government is unable to apply sales methods, and does not want to use mass distribution techniques, the sole alternative to renationalization is the development and introduction of new methods of property management. Unfortunately, however, one hears very little about such new methods after the adoption of laws privatizing in name only, and have a substantive centralizing effect.

This much is certain at the end of the first six months of 1992, and probably also during the entire next year: direct state ownership is going to be restored, and governmental and political power positions and dispositional authority are going to gain strength at least as a matter of formality. We are able to have only questions and doubts about the future.

Transformation of Cooperatives Enters New Phase *92CH0846B Budapest UJ MAGYARORSZAG in Hungarian 6 Aug 92 p 9*

[Article by E.S.: "Transformation of Cooperatives Under the Magnifying Glass; General Survey of Pest County"]

[Text] The transformation of cooperatives has entered a new phase. The time of land auctions is also approaching. To hold the auctions in an honest manner, in order to grant everyone equal access, is a matter of interpreting the laws and regulations in a professional way. In the meantime, the law accelerating loss adjustment for agricultural land took effect on 18 July. For those reasons, the leadership of the Pest County Agricultural Office deemed the time ripe to convene a conference with the representatives of social organizations, local governments, and farming units with a stake in the transformation of agriculture.

Yesterday morning at 0900 hours, in the conference hall of the county seat, Dr. Miklos Becz, department chairman in the Agricultural Ministry, held an introductory lecture on the experiences gained up to now in the course of the transformation of cooperatives. He analyzed almost item for item those regulations of the laws around which the most ambiguities, misunderstandings, or faulty implementations have been found.

One such item was, for instance, the interpretation of the members' intention to leave the cooperative. (It has occurred, for instance, that a member announcing his intention to leave has immediately been struck off the list of members. Another such disputed issue is the status of membership in connection with completely or only partially withdrawn business shares, and the question of actually who can participate in the auctions and on what conditions.)

Auctions Pro Forma?

Mihaly Sztaray, chief of the Pest County Loss Adjustment Office, analyzed the situation of the deadlines for submitting claims. We learned that at least 40 of the 182 municipalities in the county are so favorably situated that in those areas a considerable increase can be expected in the value of the land. We also learned that unfortunately there is a danger that in certain places the auctions will only be held pro forma. For that reason, it should be necessary to hold local informational meetings at least eight to ten days before the auctions.

We asked Dr. Andras Tunyogi, chief of the Pest County Agricultural Office, to summarize for our paper how the transformation activities of the cooperatives in the region can be assessed so far.

According to Dr. Tunyogi, the period of registering property under new names and of assessing property took place relatively smoothly. As he said, the transformation always takes place in a smoother fashion in a cooperative where the property conditions are in order, such as in the Kiskun Cooperative of Kiskunlachaza or in the "Osszefogas" [Concord] of Galgamacs.

Inventive Cooperative Chiefs

In his opinion, the most frequent mistake has been that in the course of registering property under new names, the leadership of the cooperatives did not generally present and explain the possibilities to the membership, but rather tried to make its own ideas acceptable to the membership. By now the lack of information among members of cooperatives is unfortunately well known; in many firms the people have no idea that they could have had other choices as well, beyond what they were made to accept.

Although blatant infractions of the law could not be discerned, nevertheless the methods which the leaders of cooperatives used to acquire material advantages displayed great variation and inventiveness even within the scope of the law. Such methods are generally hardly

noticeable for the membership, the majority of which, unfortunately, is unaware of its own rights.

Andras Tunyogi has lamentable experiences in that area. It is generally older people who turn to the office with basic questions which, if the public had been informed honestly, should not be unknown to the population. In the first place, he mentioned to our newspaper with exasperation the historical irresponsibility of Hungarian radio and television which, under the claim of freedom of the press, gloss over the country's social processes, while at the same time covering them up with uninteresting and tasteless trivia, thus wittingly hindering the change of regime. It is not oppositionalism, it is cynicism, which causes the country immeasurable damage, said the office chief. The processes of the transformation of cooperatives could end on a much more favorable note for the members of cooperatives, in Pest county as well, than is currently possible with the lack of adequate information.

Numbers

The numbers reflect the situation of the transformation in the county better than any explanation. Twelve of the 92 agricultural cooperatives wish to become simple cooperatives; 34 cooperatives wish to be separated by villages and form, thus, 60-70 new economic units; 25 cooperatives will become cooperative holdings; eight cooperatives will form individual economic corporations, three of which are pushing to be turned into stock companies. The members of the latter cooperatives are apparently unaware of how disadvantageous that form would be for them. The future of some cooperatives is still undecided.

The fate of several thousand people in the countryside depends on the successful transformation of cooperatives in Pest county, as well. It would be good if the importance of this fact were perceived by those who are now only looking for a back door to promote their own interests.

Building Industry, Hotel Privatization Discussed

92CH0871B Budapest TOZSDE KURIR in Hungarian
30 Jul 92 p 8

[Article by r.g.: "Privatization in the Construction and Hospitality Industries"]

[Text] Privatizing the building industry does not promise to be an easy task; its large enterprises have experienced crisis ever since 1988. As the unfavorable situation may be traced back to more than the partly technology-based depression in the building industry, many enterprises are going to be liquidated in whole or in part.

Planning and investment enterprises also fell into a hopeless situation. They had been struck by crisis even before the industrial enterprises were, and only a few are capable of sustaining themselves by pursuing only their

basic activities. Because most of the enterprise have been functioning in spacious office buildings, they have tried to lease the facilities in order to survive this stormy period.

But the AVU [State Property Agency], acting in its capacity as owner, evicted 12 planning institutes from their valuable, centrally located real estate, and relocated them to rental premises—generally in the peripheries—to accommodate the reduced staff. Thus the rent collected at the previous buildings and used to help the planning institutes to survive, now adds revenues to the state budget.

Foreign tourism, and units of the restaurant and hotel industries are in greatest demand when it comes to privatization. Only 38 of the previous 40 hospitality industry state enterprises existed as of December 1991, and the management of 10 of them had already announced its intent to convert the enterprises into corporations. They include the Hotel Gellert, the Grand Hotel Royal, and the Rakoczi Street unit of Pannonia.

The Hajdu-Bihar County Hospitality Enterprise has merged with Civis Hotel and Gastronomy Corporation established earlier. The Passenger Service Enterprise has ceased to exist as an independent company and is now functioning as the MAV [Hungarian State Railroads] Passenger Service and Foreign Tourism Directorate. Three other hospitality industry firms—the North-Pest, North-Buda and South-Buda Hospitality Enterprises—have ceased operations.

Three state enterprises are engaged in the sale of commercial residential facilities. No big changes have been made thus far. A number of hospitality enterprises no longer exist in reality, because their revenues consist only of fees paid after contractually agreed upon operations. AVU claims that in most instances privatization fails as a result of resistance manifested by enterprise managers.

Privatizing hotels could produce significant revenues. In 1990 it appeared that all hotel chains could be privatized as single units. Last year, however, AVU was able to count on only 35-40 billion forints as a result of privatizing individual hotels. By now, however, it has become evident that the sale of the Danubius chain would contribute to the state budget 8.2 billion forints at best, or 11.6 billion forints if its stock were sold at the stock exchange.

There are several reasons for the reduced revenues. The loss of 5 to 6 billion forints in value is also related to the shortcomings of the traditional Hungarian accounting system. A large part of the difference in value can be credited to the fact that foreign appraisal values differ from values projected in Hungary.

DIMAG Criminal Negligence Case Goes to Court*92CH0872C Budapest HETI VILAGGAZDASAG
in Hungarian 1 Aug 92 pp 72-74*

[Article by Pal Reti: "Managers Charged; Breach of Trust Tested"]

[Text] A few managers at Diosgyor are facing the specter of having to serve two to eight years in prison, if, based on investigations to be completed presumably within a week, the Borsod-Abaúj-Zemplén [BAZ] County Police is able to substantiate its suspicion of breach of trust, and if the court admits the evidence. If that occurs, thousands of enterprise managers may regard themselves as having committed a criminal "breach of trust" regarding assets entrusted to them.

Toward the end of May, amid theatrical circumstances—a surprise call at dawn, handcuffs, and a search of the premises—men from the BAZ County Police Headquarters took into custody, then questioned for three days Geza Csatho, the former deputy president of the Miskolc-based DIMAG Corporation, and Jozsef Szalai, the president and chairman of the Screw and Tensile Goods Corporation (CH). Jointly with a few more former and present leaders at Diosgyor, they are being charged with having caused property damage worth between 80 million and 100 million forints to both DIMAG and CH separately (the police changed the figures several times in the course of the investigation). The charges are based on criminalizing stock transactions that occur daily by the dozen in Hungary today.

Last fall DIMAG Corporation—at the brink of insolvency at the time—borrowed 187.7 million forints in several installments from CH, a corporation in which DIMAG held a controlling interest, promising that unless it was able to repay the borrowed funds within 30 days, it would transfer CH stock with a face value of 287.5 million forints to the creditor, i.e., to CH Corporation. As DIMAG was unable to pay, CH Corporation acquired and immediately resold in several installments the stock representing half of CH's basic capital (the law permits a corporation to hold on to a maximum of 30 percent of its stock for a maximum of three years). Metalimpex Foreign Trade Enterprise purchased at face value 100 million forints worth of the stock acquired at 65 percent of the face value; regarding the larger part of the stock the CH annual meeting decided last November to permit workers to buy the stock at 70 percent of the face value. Private individuals were supposed to pay cash amounting to 3 percent of the purchase price within a week, while the rest had to be paid in equal installments in the course of seven years after a one year grace period. If workers would not buy all the stock, the remainder would be offered to the workers of CH's founding enterprise, according to the resolution.

The transaction was complete, some manual workers subscribed to 2.5 million forints' worth of stock; "as a matter of decency, the higher a person's position, the more stock he should have purchased," according to

Chairman and President Szalai. It so happened that Jozsef Szalai himself, as well as three top-level employees of the founders, each purchased stock with a face value of 10 million forints.

A rare exception in the mostly bankrupt DIMAG-empire consisting of several dozens of stock corporations and limited liability corporations, CH closed 1991 with a positive balance. Profits remaining after setting aside reserves, and amounting to 115 million forints—of which 30 million forints were based on the above-mentioned sale of stock, and 50 million forints on a suit CH won against Technomark—enabled the payment of a 12.5 percent gross dividend on preferred stock, pursuant to an 8 May decision by the general meeting. (Workers having purchased stock the previous fall were not obligated to begin making installment payments by using those dividends; nevertheless, it was alleged that expecting difficult years to come, a large majority of the workers would want to make such payments.)

But dividend payments planned to be disbursed in June were not made as a result of the late-May police action, moreover, the police seized all the stock involved. That was easily accomplished because according to the agreement, the stock purchased by the employees (would have) remained with CH until the workers paid off the last installment.

The two leaders and other managers who purchased CH stock were held for 72 hours and are now being charged with breach of trust (Paragraph 319 of the Criminal Code of Laws), i.e., that by failing to perform their obligations as leaders (managers) they deliberately caused damages to their firm. Thus far the BAZ County Police Headquarters has neither revealed, nor told the suspects about the basis of the charges, thus, at best, one can draw conclusions only on the basis of figures written down by those charged with the prosecution of crime. According to the latest version of the charges, the damages caused by the suspects amounts to exactly 100 million forints, the face value of the CH stock transferred by DIMAG to CH. (On the other hand, it is a mystery why that item also appears on the list of charges against the president of CH; after all, if the transaction caused damages to the seller, it must obviously have produced a gain to CH, and therefore CH's president should be regarded as having managed the assets entrusted to him not negligently, but cleverly, because he had increased the value of those assets.)

The charge according to which the accused managers caused a "financial disadvantage" to CH—a damage valued at 80 million forints, at that—is even more difficult to understand. One can only assume that the police regarded the credit terms granted by the firm to its own workers as too lenient. "The terms come very close to the ones specified in the law concerning the Employee Share Ownership Program adopted by the parliament in June," according to one of the managers involved.

In any event, the case promises to become a legal tidbit if the prosecutors issue indictments. For the first time in decades a court would have to define the daily value of stock never before traded on the stock exchange, and would have to decide the threshold limit where business judgment ends, and "breach of trust" begins in the course of buying and selling stock.

Incidentally, CH's general meeting last week took steps to resolve the issue in advance: At DIMAG's request it decided to replay the entire stock transaction under the original conditions, but in reverse. The workers will be repaid the money they had paid in, plus interest, and DIMAG will buy back the CH stock at the selling price by the end of November. "Anyone who feels that he got a bad deal in the first part of the transaction—be that the present management of DIMAG or one of the workers—may now relax," Jozsef Szalai said. "On the other hand, anyone who thinks he suffers a damage as a result of buying back the stock, may now go to court," he added.

Those involved in the case and the press try to explain the "prosecution of managers" at Diosgyor in several ways. One explanation that readily lends itself as obvious is that the proceeding amounts to nothing but preparation for a show trial, by which the police, concerned about social tensions in Borsod, try to divert the attention of the restless masses of workers at Diosgyor concerned about becoming unemployed. That explanation is supported primarily by the timing of the action. The two managers were taken into custody a few days before a workers' demonstration that had been announced several times before, and that was held in the end on 4 June (HVG 13 Jun 1992). On 29 May the police issued a communique stating that based on an earlier announcement by the DIMAG workers council "they found" that the two suspects had caused 80 million forints in financial disadvantages to both DIMAG and CH (but workers council leaders subsequently denied having filed complaints naming anyone in this specific case). But the police statement hurriedly issued on the eve of the Miskolc workers' mass action and supposedly only on the basis of the complaint and in advance of a financial audit, has not been followed by a substantive police statement ever since, moreover, it appears that the police had embargoed the release of any information until the investigation is complete. (The version acquires additional "coloring" as a result of the fact that the case arose just at the right time from the standpoint of DIMAG's new owners, because they have been blaming the old management—including the present suspects—for months for the crisis of the group of enterprises which by now had ultimately gone bankrupt.)

But the above-cited police statement also suggests yet another explanation, when it links the case to "abuses perpetrated in conjunction with privatization," whereas the past, present, or future ownership of the firms has no bearing whatsoever on the question of whether the stock transactions performed were or were not criminal acts. That we may be witnessing the creation of a new crime

heretofore unknown to the Criminal Code and to professional literature is evidenced by the fact that at an early June press conference held by the National Police Command, a high-ranking police officer talked about crimes "unofficially" called "privatization crimes," then went on to say that the DIMAG case also might fit that category, thus officially prejudging the case.

Lastly, one cannot rule out the possibility that the BAZ County Police Headquarters took the breach of trust complaint "at face value" and began investigating with great zeal. But the zeal quickly petered out. To this date, none of the suspects has been questioned by not even one investigator capable of commenting on the merits of the stock purchase transaction. Although the expert report asked for by the police is not yet available, the BAZ County Police Headquarters appears to be shaky regarding the suspicion it voiced earlier. At a recent questioning the investigator asked one of the suspects how he would react if they charged him, not with breach of trust, but, let's say, with prohibited trading of securities (Paragraph 300/A of the Criminal Code of Laws).

The suspects should feel somewhat relieved with such a charge, because this most recent type of economic crimes created in the form of an amendment to the Criminal Code by the securities law, carries a maximum sentence of two years in prison, as compared to breach of trust causing great financial disadvantage, which results in prison sentences ranging from two to eight years. In any event, the suspects wait, curious to see whether the police manifest the same zeal as they publicly manifested in raising the suspicions, in making an effort to restore the good reputation of their firms and their persons once the breach of trust charge, and possibly some additional investigative experiments with other paragraphs of the Criminal Code collapse.

[Box, p 73]

DIMAG Agony

Andras Klicsu, the owner, president and chairman of DIMAG—elected the other other day to become the head of the Diosgyor soccer club supposed to rescue the team from financial bankruptcy—has made a final attempt last June to delay the complete collapse of his enterprise by appealing a court decision that declared his firm insolvent. The Supreme Court began deliberating the case on a priority basis only last week, and, according to HVG's information, is likely to decide the case only in September, because it must weigh how much of the 18 billion forints of indebtedness should be paid by DIMAG—the "flagship" of the "enterprise empire" that consists of several dozens of stock corporations and limited liability corporations that took the place of the former Lenin Foundry Works (LKM)—and must find out whether the 11 billion forint book value of the firm's assets—mostly in the form of stock and business shares in the rest of the companies—covers those debts.

But the decision is not going to change greatly the situation of the virtually dead Diosgyor giant that once employed 20,000 workers. Only in the CH plants can one hear a few hammer strokes, but only in part-time work. Of the two large foundry units, Raw Iron and Steel Manufacturing Ltd. has been subject to liquidation proceedings since last fall, and liquidation proceedings against Diosgyor Fine Metals Ltd, which once provided jobs for 6,000 of the 8,000 workers employed by DIMAG, were initiated last week by the mostly state-owned Reorg Corporation, the receiver that handles all the bankrupt successors to LKM. Most of the smaller limited liability corporations have also been liquidated, have prepared final settlements, or have declared bankruptcy.

While the BAZ County Police attempts to make a criminal case out of CH stock translations, the State Property Agency [AVU] continues to maintain tight secrecy over conditions and ratios involved in its sale of DIMAG last December to an Austrian-Russian consortium headed by Klicsu. Privatization Minister Tamas Szabo is investigating the circumstances of the case, while the Ministry of Industry and Commerce is debating whether a mini-steel works employing 2,000-3,000 people should be established on DIMAG's ruins, or whether they should try to breathe a few years of life into the still existing plants, the way Andras Klicsu would like it to happen. One thing is certain: either of the two alternatives would cost multiples of the 1 billion state forints promised by the government to be paid to the receiver.

Data on Camps for Serbs in Tuzla Area

92BA1358A Belgrade *POLITIKA* in Serbo-Croatian
13 Aug 92 p 8

[Article by P. Simic: "1,200 Serbs Imprisoned in a Camp in Stupari"]

[Text] Bijeljina, 12 Aug—According to information that we have received from military sources and from conversations with Serbs exchanged in the vicinity of Tuzla, there are many camps for Serbs in which the Serbian people is experiencing a true drama.

One of the largest is located some 20 km from Tuzla in the direction of Kladnje, in Stupari. Local people from the neighboring Serbian villages of Lupoglava, Matijevici, Majdan, and Nocajevici have been imprisoned in the elementary school there. According to the testimony of refugees and Serbs who have been exchanged, the living conditions there were intolerable.

Similar camps exist in all villages, but the largest camps are actually entire Serbian villages that have been turned into prisons near Banovici, Zivinica, and Lukavac.

The special camp and torture chamber for Serbs in Banovici is located in the rail transport administration building, where they were exposed to real torture. Those who have succumbed to beatings in the basement of that building to date include Drago Cacic, Desimir Kikic, Ilija Gajic, and Slobodan Blagojevic. SDS [Serbian Democratic Party] activists Savo Borovina, Nedjo Djuric, and Milan Brodic have been condemned to death and are still in prison.

NIN Fact-Finding Trip to Bosanska Krajina Camps

92BA1358B Belgrade *NIN* in Serbo-Croatian
14 Aug 92 p 13

[Article by Dragan Cicic: "Where Did You Get the Bruises?"]

[Text] The Omarska Investigation Center, as it is officially called, came into the focus of media attention last week, when it was often and extensively discussed as a "concentration camp" in the sense in which that term is associated with the Nazi death camps during World War II. It is located some 20 km from Prijedor in a former iron mine, in a section about 3 km from its entrance. At the very entrance to the mine, there are pools that were open pits and are now filled with water in which the village children swim. Wet and smiling, they peer with interest over the wooden fence and look at the bus containing mostly foreign journalists whom the authorities of the Serbian Republic of B-H [Bosnia-Herzegovina] have allowed to visit this and certain other camps. The prisoners are sitting in straight rows on the concrete 3 km further on, in front of one of the administration buildings. Shaved to the scalp, in worn semicivilian clothing, they have a vacant look. One is immediately struck by how incredibly thin they are. Pointed

chins, protruding cheekbones, and the back of the head like a hemisphere making a sharp angle with the spinal cord in the neck.

In the dining room, some 20 prisoners are bent over plates of cabbage. Beside the plate, half a loaf of bread which they break with their hands and quickly stuff in their mouth. No traces of violence except one middle-age man with a large bruise like a stripe disfiguring his cheekbone.

"Where did you get that bruise?" they ask him.

"I fainted and fell," he said.

"When?"

"Some time ago."

"How?"

"Somehow, I do not know exactly, it was hot, and you know...."

He is in Omarska because of an investigation that has gone on for 68 days now. He hopes soon to go home because, he says, he is not guilty of anything. Someone said that all the prisoners are innocent, but the possibility that the man to whom we spoke is innocent is approximately 50-50 in Omarska. That is at least what the figures of the center's administration say; according to them, about 3,000 people have passed through so far, 1,400 of whom the investigating authorities have found to be innocent and have released to go home.

Three Groups of Prisoners

The prisoners are divided into three categories. The first is made up of those who are accused of financing purchases of weapons (for the other side, of course), the second those in whose houses weapons were found during a search, and the third, the least serious, those not found to have weapons by the search, but, they say in the administration, assumed on the basis of certain indicators that they received weapons from the SDA [Democratic Action Party], and then got rid of them.

After the dining room, we visited one dormitory. Strikingly clean, with double-decker beds. Some odor of stale air, but as one of the journalists in the group said, "I have been in hospitals that smell worse." A blue-eyed young man lies on his back and stares at the bed above him.

"Why are you so thin?" we ask.

"It is hot and I sweat a lot, and I miss my family, so I have no appetite. For that matter, I was like this even before."

In reply to the constantly repeated questions about undernourishment, Simo Drljacha, chief of the Prijedor Public Security Station, which has jurisdiction over Omarska, said irritably: "The Muslims are thin anyway, because, as you know, they do not eat greasy

food. What is more, many fast during Ramadan. For 40 days, for instance, they eat nothing until the sun goes down."

Later, in the bus, most of the women journalists cry.

At the Trnopolje collection center, also in the vicinity of Prijedor, which is the next destination of the visit to the camps in the Autonomous Republic "Krajina," we are met by people from the local administration. One of them comes up and begs the foreign journalists to call upon their governments to do something to get humanitarian aid through, because the situation is very bad. "We are perfectly aware of that," a woman journalist says. "I will suggest something much more radical to my government." "What?" a man asks excitedly. "Military intervention." "But civilian people will suffer!" "No, they won't, there are very precise weapons."

The man from the administration is quiet for a time, and then he whispers quite seriously: "If you must intervene, send commandos to arrest Izetbegovic, Karadzic, and Boban."

"And why not Tudjman and Milosevic as well?" He dismissed this with a wave of his hand and added that he is not concerned with the presidents of foreign states.

Hunger Is the Greatest Trouble

Nevertheless, in spite of the unpleasant impression that Omarska leaves, it is no death camp. The Nazi camps were defined above all for death in large numbers in order to massively annihilate the prisoners. So far there is no evidence at all, not even an indication, that people have been killed in large numbers at Omarska. There is evidence of beating, but individually, and not in order to kill.

The biggest problem of Omarska is hunger, all the more striking because it is not so drastically evident either in the people at the Trnopolje collection center or in the prisoners of the Manjaca military camp. It is true that there are "living skeletons" in Trnopolje, but these are only those who were transferred from Omarska a few days before the visit of the newsmen. The rest came to Trnopolje only after their villages came to be in the zone of combat operations or were burned. They are mainly waiting to be transferred to Muslim and Croatian territory.

Serbian refugees are arriving from the other direction. Thus, a bit more than three weeks ago tractors pulling trailers arrived in Trnopolje, the village where the collection center is located, carrying a group of Serbs who moved out of the village Gradina near Velika Kladusa and have come to stay with friends and relatives. On the territory of the Autonomous Republic Krajina, there are about 170,000 refugees, mainly Serbs, 16,000 of whom are right in Banjaluka. Many of them have come from Croatia and caring for them is a problem, because they have no resources. Nikola Puzigaca, a disabled pensioner from Zagreb, says that he has not received his pension for eight months now. The last time he went, that is, tried

to go, they took him off the bus in Slavonski Brod, they played with him a bit, forcing him to bark at the Sava, and sent him back. Since then, he has not tried again.

Conditions in Camps in Bosnia-Herzegovina

92BA1358C Belgrade NIN in Serbo-Croatian 14 Aug 92
pp 10-12

[Article by Lidija Soldo: "A Time of Evil"]

[Text] Bosnia is the region in Europe of which it is ashamed. In this country, they are even killing children. A new shock has been prepared for the human conscience, almost stupefied by pictures of massacred and rotting bodies, exodus, and death. Death camps, reality or a part of the crazed war propaganda that the Bosnian Serbs, Croats, and Muslims are accusing each other of establishing. The 100 or so crazed and famished faces, surrounded by barbed wire in the presence of armed guards, is the picture of the Serbian camp in Omarska, which the world has visited thanks to CNN. Many, among them surviving witnesses, were reminded of the horrors of the Hitler era. The world public was almost unanimous—"What the Serbs are doing is horrifying and unforgivable." Thus, yet another was added to the lengthy list of "Serbian sins"—death camps, places where hundreds of people are murdered or starved to death.

The report of Roy Gutman published in *NEWSDAY* started the avalanche that embittered the world public. On the basis of the statements of two witnesses, who supposedly were imprisoned in the camps in Omarska and Brcko, Gutman said that 11,000 civilians were imprisoned there. Citing the testimony of Meho, who spent a week in the prison in Omarska along with 300 other prisoners, that newspaper said that "the guards took away groups of 10 or 15 people every few days to be killed." Meho was released in a group with those younger than 18 and older than 60. In the camp in Brcko, in the vicinity of the customhouse, according to the allegations of *NEWSDAY*, 1,350 people were killed between 15 May and mid-June.

The revelations of the camps shocked the world. All the front pages, thousands of reports and editorials, and all the news programs on television and radio spoke about the war crimes of the Serbs against the Muslims. In spite of judgments to the effect that there is injustice "in fixing all the blame" on just one country, because there is no doubt that the Croats and Muslims have camps (*TIMES*), the public opinion of Europe and the world remained unchanged. "A war is being waged in Yugoslavia aimed at creating refugees. The Serbs are pursuing a strategy of ethnic cleansing of territory, throwing out of their homes thousands of undesirable Croats and Muslims," world commentators asserted, agreed on one thing: that the only solution for stopping the chaos in Bosnia-Herzegovina [B-H] is military intervention.

Protests From All Sides

It is a fact that those who have been or are in Bosnia-Herzegovina have shared more equally the responsibility for the atrocities committed. Unlike the newsmen, representatives of the International Red Cross Committee and the United Nations, although they do not deny the responsibility of the Serbs, allow that crimes are not being attributed to all the Serbian forces, but only to some of them, second, that the existence of many of these camps has not been established, and also that both the Croats and Muslims are also accountable for guilt.

"By no means would we want to minimize the conditions of internment, but we have not established the existence of the kind of crimes about which *NEWSDAY* wrote," declared Ronald Sidler, representative of the International Red Cross. "People are usually arrested and taken as hostages to some camp, which disappears in a few days as soon as there is an exchange of prisoners with the other side."

In the meantime, and on the initiative of the U.S. emissary of the United Nations, a commission for international law has been convened to look into the question of the concentration camps in which "the Serbs have been behaving brutally toward the Muslims and Croats." The report about "Serbian atrocity" led the Security Council to seek international inspection of the prison camps in Yugoslavia.

The opposing sides in this chaos have drawn up their own estimates and lists of death camps in Bosnia-Herzegovina. In a document submitted to the United Nations, Muhamed Sacirbeg, Bosnian ambassador, said that the treatment of Muslims in the camps was "brutal, with regular beating, withholding of food and water, and bad accommodations." What is more, the Bosnian ambassador to the United Nations asserted that the forces of the UNPROFOR [UN Protective Force] had reports about the existence of four concentration camps, but did not deliver that report to the Security Council, whereby they might have taken additional action to verify the report. This document spelled out the existence of camps at the following locations—Karten, located at the railroad station in Prijedor on the highway to Banja Luka. It is said that there are between 100 and 200 Muslims there under very difficult conditions. Trnopolje is also located at the railroad station in Prijedor in the direction of Banja Luka. Supposedly, this is a refugee camp for women, children, and the elderly. Omarska is a camp located in a purely Serbian village, and the camp Manjaca, for Muslim soldiers and local Muslim authorities. According to this document, there is also a camp in Uglevik. Ambassador Sacirbeg says that about 17,000 people were killed in those camps.

Radovan Karadzic, leader of the Bosnian Serbs, has denied all these assertions, saying that only military prisons exist in Bosnia-Herzegovina on the territories controlled by the Serbian side. Nevertheless, the Serbian authorities were forced to allow domestic and foreign

newsmen to visit all the places which the Muslim side cited as death camps in what their proclamation referred to as an "effort to put a stop to these accusations and refute assertions about the existence of concentration camps for Muslims."

Prison Camps

The first visits followed as early as 5 August. To the settlement of Uglevik, that is, to the thermal power plant there where 7,000 Muslims are imprisoned according to the information of the Bosnian Government. Foreign newsmen who were the first to reach this place saw for themselves that there are no signs of the existence of a death camp on this part of Bosnian territory, which is controlled by the Serbs. "The Muslims employed in the factory left 15 days ago. They went where the Muslims are in the majority or where they feel safer, to Tuzla, for example, which is 40 km from here," the foreign newsmen were told by Pano Micic, a 39-year-old employee of the thermal electric power plant in Uglevik, adding that even today he is still in contact with the Muslims with whom he worked. The International Red Cross stamped this case "Unconfirmed."

"Elderly people in Prijedor know what concentration camps are, because most passed through them in the last war and they would not allow them to be formed now," the newsmen were told by Milomir Stakic, president of the Opstina Assembly of Prijedor, in whose vicinity the two concentration camps Omarska and Trnopolje are said to exist.

"Those in Omarska are members of the Green Berets arrested during the battles for Kozarac, Jakupovici, Kovljani, and Prijedor itself. People suspected of dealing in weapons and of organizing Muslim paramilitary formations have been put there," Stakic says, and those who visited this prison were able to verify his allegations for themselves.

Trnopolje is officially an open-type collection center. None of the civilians are prohibited from moving, they can all go into town, they go to their houses and farms, but they all come back again, because they have nowhere to go, the authorities in this collection center say. As a rule, these are civilians who have lost their houses in the fighting or their houses have been considerably damaged, and there are also those who feel that they are safer in the reception center than at home. There are about 4,500 people in this center. According to those who have visited it, Trnopolje "does not have a paved area, no rows of beds, and the kitchen range is outdoors."

Pero Curguz, warden of this center, said in response to remarks about the famished prisoners: "There is a problem with nutrition, because there is not enough food. We have nevertheless managed to wheedle some, but these are all short-term solutions. Although international humanitarian organizations have not sent us aid, we do manage to provide three meals a day. Some bring food from home, and we prepare it together here."

Fadil Damirovic works as a cook in this collection center. He thinks the food is good and adds that "five or six head of cattle would have to be slaughtered for everyone to get a piece of meat." The most frequent story the prisoners tell is how bitter they are about the politicians. "This all could have ended differently, we could have avoided all of this destruction and mutual killing," said Muja Kahric, one of the homeless.

Flour for People

Simo Drljaca, chief of the public security service, says that so far 175 people have been arrested in Omarska. According to him, the prisoners here include not only Muslims, but also Croats, and even a few Serbs suspected with some reason of having sold weapons to Muslims. "This is an investigating center in which criminal processing is done. So far, more than 3,500 pages of notes and official memoranda have been written. We have a list of units of the B-H staff with the names of 5,401 Muslims from Kozarac with a list of their units, the armament for which they were responsible, the names of their officers. So far, about 2,000 people have passed through this investigating center, which is located in the administration building of the iron mine of the same name. Most have been sent after processing to Manjaca, which is a camp for war prisoners. We have tried exchanges, but the Muslim side is not interested in its own people. Instead of them, they are demanding weapons, flour, or ammunition," Simo Drljaca said.

"The army of the Serbian Republic of Bosnia-Herzegovina has nothing to do with the investigating centers or reception centers and camps," says Colonel Vladimir Arsic. The Manjaca camp for war prisoners is under jurisdiction of the 1st Krajina Corps, but it is in no conflict whatsoever with the standards of the convention on war prisoners. In this camp, there are about 3,000 prisoners from the Prijedor, Sanski Most, Kljuc, Jajce, Doboj, and Derventa Opstinas. All those found to be minors or over age 60, regardless of their possible participation in units of the Croatian-Muslim forces, have been released. These prisoners have often been visited by representatives of the International Red Cross, and their criticisms were that the prisoners are not getting enough fruit and vegetables and that there is not enough water for bathing. Representatives of Karitas and Merhamet (the Croatian and Muslim philanthropic societies) have also been allowed to visit this camp.

Davor Glasnovic is one of the prisoners in this camp. He was wounded and taken prisoner in the battles on Kupres. He is a Canadian of Croatian origin. He fought with his brother in the Croatian Army for a salary of 11,000 Croatian dinars. "I am satisfied both with the medical treatment and general treatment here," he says.

Muslim-Croatian Camps

The Serbian side has also presented its list of Muslim-Croatian camps, alleging 6,000 cases of Serbs killed and imprisoned, particularly women and children. According

to their figures, the Croatian-Muslim coalition is detaining 42,000 Serbs in some 20 camps and the same number of prisons. In Sarajevo alone, they have opened 20 prisons for Serbs, and camps have been assigned to them in Livno, Tomislavgrad, Bugojno, and Bihac, in all, 20 places where the civilians of Serbian nationality are being tortured according to their information.

"The practice of concentration camps began a few months ago in western Herzegovina. From what we have learned, they were opened by order of Dobrosav Paraga and the HOS [Croatian Defense Forces], but soon they were joined in all actions by the ZNG [National Guard Corps] and Green Berets," says Dr. Miljan Svorcan, vice president of the Association of Serbs From Bosnia-Herzegovina, in a statement for NIN. "The bulk of the people from the western bank of the Neretva have disappeared, the Serbian population has abandoned Liscica, Grude, Tomislavgrad, and later that practice spread to Bradina and Konjic. Those who were left were imprisoned in concentration camps established in those towns. We have asked world institutions to send at least food and water to these prisoners, but they have not done that. In Odzak alone, about 4,000 people have been imprisoned for more than a month, and the command of the corps there has not obtained consent to send at least food to these people. This has gone on for months, and we do not know of any world organization that has reacted to our warnings. When the International Red Cross was finally allowed to visit camps in Herzegovina, the practice of so-called mobile camps was used. Immediately before the delegation of the International Red Cross would arrive, they simply moved the camps and the prisoners in them to another site."

According to Svorcan, the scenario of the opposing sides is being constantly repeated. As soon as they realize that the Serbian military forces have surrounded them, they give up and acquire the status of prisoners. On Romanija, 210 people from Sandzak surrendered in that way. "It is not possible to hold that many people, and then the decision is made in the command to let them go. We have been releasing prisoners under the sole condition that they not go back to the front. This does not mean that there have not been atrocities on the Serbian side as well, but there is no question at all about concentration camps. This is a terrible war in which there is filth on both sides. What happens is that some local ringleader simply carries out his own policy with no respect for Karadzic nor the official government of the Serbian Republic of Bosnia-Herzegovina."

There Will Be More Misfortunes

The Presidency of the Serbian Republic of Bosnia-Herzegovina adopted a decision on 7 July to the effect that the Serbian side proposed an exchange of prisoners on the principle of all for all, intending to close the prisons on all sides—Serbian, Croatian, and Muslim. The offer was even made to the International Red Cross

to take over administration of all the prisons on the Serbian side, that is, to take over the question of health care, food, and treatment.

"We incessantly have to prove our goodwill toward the other side," says Dragan Kalinic, health minister in the government of the Serbian Republic of Bosnia-Herzegovina. "The official Serbian authorities want to act in accord with international conventions and take the position that prisoners on all sides are the common concern of all sides to the conflict, that is, the Serbian, Muslim and Croatian sides. Under international conventions, war prisoners are exchanged, and we see no reason why the Muslim and Croatian sides do not want to consent fully to that. There is something strange in their behavior. We have the impression that the Muslims in our prisons have been written off by the official Muslim authorities. We cannot explain this to ourselves otherwise than in terms of a fanaticism whereby the person who has died on the front is more valuable than the one who has been captured."

Dr. Kalinic disputes all assertions to the effect that there have been large-scale killings in the camps. "We have never carried out mass shootings. Our authorities back on 13 July adopted a decree and instructions on the treatment of prisoners, in keeping with international conventions. Since that day, we have stubbornly insisted on respect for the law in people's treatment. In all cases where we have discovered or do discover failure to respect those orders, we will impose strict penalties on those who violate them."

Dr. Kalinic explains in response to the reproaches and criticism which the International Red Cross submitted

to the Serbian government concerning the treatment of prisoners in their camps: "We did not prepare for war, and so we were not prepared for the opening of any large collection centers for the reception of prisoners. In major towns, there are regular prisons which are, of course, of incomparably smaller capacity than the number of prisoners we have at the moment. It is logical, then, that we have had to care for those prisoners in some other way, in other places, not in prisons. This accounts for certain objections made by the International Red Cross concerning the living conditions.

"Our side will do everything to issue precise instructions to military and civilian authorities for improvement of the living conditions in those prisons."

The concessions of the Serbian side are no doubt interpreted as a way of avoiding the ever more present certainty of military intervention on the territory of the Serbian Republic of Bosnia-Herzegovina. Nor does Dr. Kalinic deny those reflections. He is nevertheless convinced that this is a scenario prepared in advance. "At some point, they will find it impossible to deliver humanitarian aid, another time they will invent camps or prisons on our territory and the very difficult living conditions in them, and they will completely forget the conditions in which our civilian population is living and also our fighting men, who are also putting up with a shortage of food, clothing, and medicine, and on yet another occasion they will invent something completely different and will find a pretext to intervene. I have the sense that the Serbs are condemned in advance to the ignorance of the world factor, and I am afraid of this attitude which is against the Serbs a priori. All we can do is to hope that there is no military intervention."

Serbian Side Fails To Implement UN Plan

92BA1359A Zagreb NOVI VJESNIK in Serbo-Croatian
21 Aug 92 p 3

[Article by Ivica Marijagic: "They Do Not Care About the Vance Plan"]

[Text] The third phase of the UN peace plan is in many respects decisive in establishing demilitarization and peace in general in Croatia. That is, the third phase envisages disarmament of paramilitary formations, but that phase is still far from implementation in the sector South. Why?

The other, Serbian side is not respecting the Vance plan and is not carrying it out. All that is needed is for the Chetniks to be disarmed and withdrawn, and then the fourth phase could begin, which is clearing the minds. But, as we have said, the Chetniks are not being disarmed, nor is their number decreasing. When this will happen is not known.

That situation has gone on for too long now. Ever since the war conflicts stopped, that is, since the protective forces took over formal control, it has not moved off dead center. That state of affairs is being imposed by the Chetniks, because the present situation encourages their sense of being independent. Even when they consent to meetings and talks, they do so reluctantly and against their will. The Serbs would much prefer not to sit down at the negotiating table, because, as they like to say, "there is nothing to talk about." Neither about water, nor about electric power, nor about anything else, because those problems do not bother them. They supposedly have everything.

The truth is that misery mainly prevails in the "krajina," but it is not so bad that people are starving to death and that it could not exist as a separate state. A joint commission consisting of representatives of the UNPROFOR [UN Protective Force], European observers, the Croatian side, and representatives of the Serbs met some 15 days ago at the air base in Zemunik. There have been no joint meetings since then.

The Croatian side said after the meeting that they talked about the transfer of the notorious pink zone into the hands of the Croatian authorities. The other side informed its citizens that delegations of the "Republic of Croatia and the Serbian Republic Krajina" talked and that "at no price will they turn over the captured territory to the Croats." It is clear from that that there hardly can be progress in development of the conditions

here in keeping with Croatia's expectations so long as the Serbs, wherever they sit, act as representatives of an independent "state" that is entirely separate from Croatia. They never get tired of behaving contrary to the purpose and intention of the Vance plan and other UN documents.

Water and electric power are separate stories here. What for months now has been making life miserable for the Croatian population in Dalmatia is nothing more than some kind of diverting game to the "krajina people." From positions of a separate "state," they would magnanimously sell those articles, but by no means give them, not even on grounds that they are helping a neighbor in trouble.

The "krajina people" are those who cut off the water and power to Croatia. Croatia cannot do the same to them. That is why Croatia is forced to seek alternative and expensive solutions. The "krajina," unfortunately, need not do that. In any case, if the situation were by some chance reversed, today there probably would be no "krajina." That was evident a month or two ago. At that time, the authorities in Knin begged and implored the UNPROFOR to win the Croatian side over to an agreement on power and water, because at that time the 400-kv [kilovolt] long-distance transmission line was destroyed and could not be repaired because of the lack of production supplies, and there could not be power because of the lack of fuel, and for all those reasons there was a shortage of water as well.

Two Knin representatives made a trip to Zadar at that time and imploringly said "let us finally give the people power and water and not talk about politics." This was, of course, a typical hypocritical Serbian sob story. They had no sympathy for the sufferings of the Croatian people. They wanted power and water for themselves. At that time, the corridor to Serbia was closed, and their "krajina" was isolated all the way around. That fact was the origin of their sudden interest in talks.

The Croatian Army had to withdraw from the Miljevci plateau because Serbia and the "krajina" had requested this of the United Nations and because that was a violation of the peace plan. The Chetniks do not have to withdraw either from Peruca, or from the Novska gorge, or from the Zemunik air base, because that is being requested by Croatia, although its request was in keeping with the peace plan.

Now even the joint commission is not meeting, because the Chetniks again have nothing to talk about. Until the time comes when they have plenty to talk about, we can hardly expect any very essential change.

Two Slovenia-Hungary Border Crossings Open

92P20396A Ljubljana DELO in Slovene 22 Aug 92 p 1

[Article by Ivan Gerencer: "Two Border Crossings Through Former Iron Curtain"]

[Excerpt] Martinje in Goricko, Pince near Lendava—The presidents of Hungary and Slovenia, Arpad Goncz and Milan Kucan, opened the Martinje-Gornji Senik international border crossing this afternoon, while this morning in their presence, foreign ministers Dr. Geza Jeszensky and Dr. Dimitrij Rupel opened another border crossing at Pince-Tornyszentmiklos near Lendava. Slovene President Kucan presented Hungarian Foreign Minister Dr. Jeszensky the Republic of Slovenia's golden medal of freedom for his contribution to strengthening the ties between the two countries. In the afternoon, a bilateral agreement on removing visa requirements was signed in Gornji Senik in Porabje, Hungary. [passage omitted]

Return of Church Property To Be Negotiated

92BA1342B Ljubljana DELO in Slovene 8 Aug 92 p 3

[Article by Tonja Slokar: "The Church and the Government Will Negotiate Solutions That Will Benefit Everyone"]

[Text] *Dr. Alojzij Sustar is satisfied with the quick response from the government and the parties to his statement about the return of the church's forests; the church will only request as much as it needs for normal economic life and the performance of its mission.*

Ljubljana, 5 Aug—"I was pleasantly surprised that several political parties, and especially Dr. Janez Drnovsek's government, responded so quickly to my latest statement, which concerned the return of the diocese's confiscated forests and other real estate belonging to the Ljubljana archdiocese. Of course, I warmly welcome the government's willingness for talks, in which, at the same time as this issue, we would also discuss the church's legal position in Slovenia, which is still not regulated in such a way as to allow it normal performance of its proper religious, educational, cultural, and social mission," Dr. Alojzij Sustar, Ljubljana Archbishop and Metropolitan, stated in an interview for our newspaper.

We learned that representatives of the church and the government would meet in the second half of August. In connection with this, the Ljubljana archbishop pointed out several erroneous interpretations of his statement among the public, i.e., that he had already given up property rights to the confiscated property of all church institutions. "I do not have that authority. According to the code of church law, I am only responsible for the forests and other confiscated property of the Ljubljana archdiocese. I said in my statement that the archdiocese—if it is possible to find more appropriate and more suitable compensation—within the limits of its authority, was prepared to renounce property rights to

the diocese's forests and also other real estate that it did not need, in its own judgment. In the language of church law, this means that I do not decide on this myself, and instead I have to receive the Holy See's consent for it. The apostolic nuncio for Slovenia will thus probably participate in the specific talks on this."

Regardless of the limitations mentioned by Dr. Alojzij Sustar, the public reactions to his statement on returning the diocese's forests, which have come from the Socialist Party, the Democratic Party, and the staff of Liberal Democrat Dr. Janez Drnovsek, indicate that the issue of returning confiscated church property may be depoliticized and put in the context of seeking the systemic regulation of church-state relations and ties, following the model of Western democratic states.

The Church Is One of the Largest of the Dispossessed

To tell the truth, political and ideological disagreements over the issue of returning church property appeared in the very first discussions about denationalization and correcting injustices from the past. In those discussions the church, which with its institutions—the parishes, dioceses, and monasteries—is certainly one of the largest if not the largest of those who were dispossessed after the war, persistently advocated the position that it was also necessary to acknowledge the injustice that was done to it by confiscating its property. In this regard the church leadership emphasized that it did not expect the injustice to be corrected in its entirety, and that it would also not request the funds acquired by others from church property during the entire postwar period. It would only request as much as it needed for normal economic life and for performing its mission in the religious, cultural, and social areas. Even in the first discussions about the draft law on denationalization, several political parties thought that the church should not be given back all of its property in kind, particularly not the forests and land, but instead should be offered at most financial compensation for it. The outcome of the matter in parliament was that the law on denationalization acknowledged the injustice done to the church, and recognized the right of church institutions—more than 3,000 church owners under public law—to submit denationalization requests.

The issue of returning church property became more acute again in public after the passage of the law, and moreover, primarily in the area of returning church forests. Specification of the denationalization requests, in fact, revealed that about 36,000 hectares of forests were to be put back under the auspices of church institutions. The first to protest were foresters from Mozir, who claimed that the return of the church forests was not a matter of correcting injustices, but rather a restoration of large forest estates. They thought that the church's interest and the national economy's interest in the forests would be mutually exclusive; they demanded that the law on denationalization be amended; and they announced that if necessary they would collect signatures for a referendum on this issue. The protest by the

Mozir foresters was also joined by others, and the whole matter was also supported by several political parties. Thus, the leaders of the Democratic Party and the Social Democrats—Igor Bavcar, Dimitrij Rupel, and Joze Pucnik—maintained at a public forum in Nazarje in mid-June that protecting public assets was more important than protecting property rights, and the Socialists proposed to the government in parliament that it study the possibility of amending the law on denationalization, and demanded that it also adopt a position on the proposal for scheduling a referendum, in which the citizens of Slovenia would decide directly whether the church would get back the nationalized forest areas and other property in its entirety without any restrictions. The media, of course, also wrote extensively about how much and what the church was requesting in the course of denationalization.

Wrong Reproaches About the Biggest Capitalist

The church's leadership has publicly reacted to all of this on several occasions, and protested against the media's portrayal of the church institutions' denationalization requests as attempts to renew church estates, saying that what the church owned was owned by all religious people, who represented a majority of the Slovene population. Also, the latest statement by Ljubljana Archbishop Alojzij Suster (on 27 July) was essentially a protest against the "increase in persecution of the Church," which had increased since the publication of the draft denationalization law. In that statement, Dr. Alojzij Suster bitterly rejected the reproaches that the church wanted to enrich itself at the expense of the poor, and become the largest landholder and capitalist in Slovenia; he also categorized the demand for a referendum on amending the denationalization law as part of a continuation of the persecution of the church. Since these reproaches primarily have to do with the return of the Ljubljana archdiocese's forests, Dr. Alojzij Suster reiterated the church's willingness to seek, in agreement with the government, appropriate forms of financial support for church institutions that would actually benefit everyone, and also reiterated the Ljubljana archdiocese's willingness, within the limits of its authority, to renounce property rights to the diocese's forests if it were possible to find a more appropriate source for financing activities and supporting the central church institutions. As already stated, the reactions to this statement from political parties and the government are favorable, since they ended by agreeing on a meeting between government and church representatives in the second half of August.

Options for Revitalizing Ironworks Discussed

92BA1342A Ljubljana DELO in Slovene 8 Aug 92 p 19

[Article by Tonja Slokar: "Steel in Front of the Government's Door"]

[Text] *Even at the beginning of this year, we in Slovenia were wrestling with the dilemma of whether to close or*

revitalize the Slovene Ironworks. Now we are upset by the question of whose the ironworks will be: just ours, foreigners', one or more, or whether they should just be closed. All the possibilities still exist, claims Minister of Industry Dusan Sesok; it is just that he would not like to participate in the third one: closure.

To be sure, I do not know whether it would have helped anything if piles of steel had been dumped in front of the door of the government building years ago, just as peaches are now. It is indisputable, however, that the Sesok-Ocvirk duo, although they are upsetting many people, have begun to create a breath of fresh air in the worn-out, paralyzed Slovene ironworks, which had been left to their fate. Although the discussions about the fate of Slovene ferrous metallurgy have begun to sail more into political waters, which is certainly not good for expert decisions, at least it is good that the battle for the ironworks has finally begun, something that no director of the Slovene ironworks or minister of industry has succeeded in doing from real socialist times until now. Everything only got stuck in piles of paper called rehabilitation programs, studies by prominent foreign consulting firms, and the lamentation of government officials that there was not enough money in the state's wallet.

The fact that there will still be far from enough money in the budget for this rehabilitation of the three Slovene ironworks was also clear to this government team which adopted it. When the analysis of the ferrous metallurgy industry was prepared, Minister Dusan Sesok noted that the situation in it was overwhelming, and that since 1989, when the ironworks started to sink precipitously, there had been no revolutionary shifts either in production and marketing or in personnel policy (only the number of workers was reduced), even though several studies were already available that clearly stated which production programs had to be closed, how much the consumption of materials and energy had to be reduced, how to reduce expenses in purchasing the principal raw materials, etc. Monetary burdens and the loss of markets reduced the production of steel to the present 350,000 metric tons instead of 700,000 tons. Insolvency increased and debts grew. And then came that observation by Sesok which most hurt Andrej Aplenc, the dismissed director of the Slovene Ironworks, i.e., that his program for the financial rehabilitation of the ironworks, prepared in January 1992, had not even been considered by the government, because the ironworks' board of directors thought that he was merely sending the state the bill for the old debts, but was not capable of establishing order himself inside the business system. Sesok also noted that Aplenc's proposed financial rehabilitation would not even have succeeded, because the individual ironworks had different views of it, just as they had quarreled over the results of the McKinsey study. That is why, in all likelihood, Aplenc's rehabilitation program would not have been followed by the preparation of a business projection after implementation of the financial rehabilitation from 1993 to 1995.

All of this brought the ironworks to the bottom, the government observes. Only 35 percent of the production capacity is in use, and the ironworks' total mortgage amounts to approximately 400 million German marks [DM]. The government decided to cancel this, aware that all these old obligations of the ironworks would thus become a burden to the state. In their opinion, the ironworks should be relieved of this burden, for the sake of the survival of good and technologically modernized production programs that with minor adjustments could be competitive in foreign markets, and for the sake of the jobs of those who know how to make good steel, since the state would be left with the same burden in any case, even if the ironworks were closed. That is why Drnovsek's government specified in its financial rehabilitation program that as part of the banks' rehabilitation, the state would settle the ironworks' old debts to the banks, in the amount of DM279 million. It furthermore specified that it had to provide DM70 million in additional working capital to stimulate production, and also write off all the ironworks' obligations to public enterprises, the railroad, the electrical industry, SPIZ [expansion not given], the Health Care Institute, and also the taxes and contributions that the ironworks did not pay the state; altogether this is another DM50 million. This does not yet include the ironworks' debts to other firms and to foreign countries.

It is still not clear how the government will provide these 400 million marks. To be sure, within the framework of the banks' rehabilitation it is planning to issue DM300 million in bonds just for the ironworks, but the question is also where it will get the money to retrain ironworkers, DM35 million, through which the number of employees at the ironworks is to be reduced by 35 percent by 1995, i.e., from the present 12,000 to 8,500. Settling the problem of excess workers will be left up to the state in any case. The government is also planning that until at least 1993 the ironworks will create another DM100 to DM130 million in losses. In addition to all this, all three ironworks would need another DM120 million for maintaining current production and for investments that are also necessary for uninterrupted production. If this entire burden were shifted to the budget now, according to Sesok's calculations all the taxes and duties that go into the budget would have to be increased by 10 percent.

With the realization that the ironworks cannot exist with their current productivity and costs, with the government's ambitious goals of increasing steel exports by 50 percent per year, and with the impoverished budget, it was naturally clear to everyone in the government that this would not work without foreign capital. In the beginning, of the DM70 million needed, the government approved the total equivalent of DM5 million from the foreign exchange reserves, for short-term loans for working capital. The decision by the Slovene Ironworks' board of directors to offer the ironworks to foreigners, however, was critical for the entire Slovene public sector.

In this regard, however, the range of opinions only diverged, from the opinions of those who do not even want to hear about having foreign capital come to our ironworks and are demanding a national steel industry, through those who would only offer foreigners smaller shares in our ironworks, to the government, which is giving priority to foreigners who would take over a majority share of the capital. Everything started, however, at the beginning of June, when Deputy Prime Minister Herman Rigelnik provided the public with the unexpected news that the government already had one bidder for a majority sale of the entire Slovene Ironworks system. The first to speak out was the ironworks' dismissed director, Andrej Aplenc, who also publicly opposed (because otherwise he would not even have gotten through) the government's method of obtaining foreign bidders, and opposed even more the fact that all the ironworks would be sold together to the first bidder to appear to our government in some strange way. Since nothing is as bad as it seems at first glance, however, the newly appointed director of the Slovene Ironworks, Dr. Andrej Ocvirk, recently acknowledged that the above-mentioned solo bid (according to Aplenc, it was a certain financial company) was not binding on anyone, and that a great deal had been learned from it. In view of the multitude of bids from abroad that are more interested in purchases of or joint investments in individual production programs or steel companies, however, in Ocvirk's opinion it is more realistic to expect the sale of individual parts of the ironworks, even though what the state wants is different.

And why is the state advocating a majority sale of the entire Slovene Ironworks system? Ocvirk is convinced that it would be good in order to make all the ironworks capable of selling products to foreign markets. It would only be later on that it would be easier to negotiate with foreigners about additional capitalization for individual companies. Now, such negotiations would be dangerous, since foreigners would understandably only be interested in buying the best parts of the steel industry, whereas the worst parts would remain a burden to the state. The fact that the government is becoming less naive after the bids to date, which are very scattered, with almost no one interested in investing in the entire ironworks system, is also demonstrated by the international advertisement which was published yesterday. In fact, it provides for both possibilities, majority sale and the sale of individual programs. Dr. Ocvirk says that the government will have to retreat from its goals if it turns out after one month, which is how long the international competitive bidding is supposed to last, that there are more bids for the second option. The government is also starting to be overdue in financial rehabilitation of the ironworks, and in September it will have to decide how it will carry out the financial rehabilitation program, with foreigners or without them. In any case, it will be easier with foreign capital. Facilities of public importance are not supposed to be privatized in that way.

The management of the individual ironworks is more enthusiastic about selling the ironworks on the basis of

individual production programs. This seems logical to Ocvirk. Those who have good programs, he says, would like to reach agreements with foreigners themselves, mostly with their long-term foreign partners. Germany's Krupp, Schmolz, and Bickenbah, Switzerland's Oerlikon, Austria's Voest-Alpine, Italy's Robo, etc., thus come into consideration for individual acquisition. The Ravno ironworks, for instance, is however aware of the traps entailed by the partial sale of the ironworks, i.e., the state would finally have to close the questionable operations. The good side of such a sale is that the foreigners also bring an additional market with them, and there would be less pressure for a possible curtailment of programs or a reduction in the number of employees. Furthermore, it is vitally important to us, according to Ocvirk, to have foreigners help to ensure larger steel export quotas for us in the EC. To date, even before the competition was scheduled, more than 20 smaller firms, even one from Mexico that is now supplying our ironworks with material, were interested in such a purchase. The ironworks, however, are also seeking the additional markets themselves. Ravno, for instance, is seeking markets in the Middle East because of the defense industry. In Ocvirk's opinion, there is no fear that investors would not be found, since the Slovene ironworks are at a high enough level of quality, and are also close to the West.

Also, no one in the government is imagining that after the purchase, the foreigners would also settle the ironworks' old debts. They will all be left for our state. "So far I have rehabilitated two Slovene firms," Dr. Ocvirk states, "and no one could pay the old debts anywhere. Since the metallurgical industry is operating at the edge of profitability almost everywhere in the world, states have to support it, more in some places and less in others. It is supported more, for instance in Germany, where the metallurgical industry represents the infrastructure for the entire machine processing industry. That is why the steel industry can be a national industry in Germany. They sell 70 percent of their products at home. It is exactly the opposite here, and that is why the state will never be interested in supporting the metallurgical industry as lavishly as Germany does, for instance."

He thus also partly answered Andrej Aplenc, who thinks that by selling off the ironworks Slovenia will lose its economic and also political independence. Aplenc forgets in this regard, however, that Slovenia has to open its doors to foreign capital if it wants to join Europe.

It also has to open them because it is not capable of curing a whole pile of economic patients by itself. Aplenc, specifically, wants steel production to be kept in the national economy. He would like to see foreign partners in the role of minority shareholders, with the state as the majority one, since foreigners would thus see the government as a guarantee of the security of their investment, Aplenc thinks. In any case, he is convinced that Slovene steel could also be sold abroad this way—certainly less than the Slovene Government is now planning to export, but the Slovene ironworks would

thus continue to operate, even with a profit. The Ravno ironworks, for example, does not see any salvation for Slovene metallurgy in Aplenc's plans. Who would even be willing to buy smaller shares, with the well-known profitability of metallurgy, and ours even more so? With good management, it will be years before whoever invests foreign exchange in our ironworks will be able to get any kind of profit, and that is why he will be more interested in investing more and completely controlling the production for which he knows that he will have buyers.

At any rate, Andrej Aplenc remains a tragic figure in the history of Slovene ferrous metallurgy, and not because he was expressly dismissed—that is also how he was appointed. He is a tragic figure because he had very poor support from the government's Minister Rejc, who also appointed him as chairman of the Slovene Ironworks' board of directors. Even if, as Aplenc claims, the Ocvirk-Sesok duo were really blocking him in the government during the final period of his directorship, Minister Rejc could have been of considerable assistance to him, but the latter was not much help to Slovene metallurgy either.

Some people in Slovenia, however, are against any kind of sale of the Slovene ironworks to foreigners. The Greens, for instance, express the fear that the sale would be made too cheaply, that foreigners would exploit our cheap labor force, and that the Slovenes would even give foreigners a discount on the cost of electricity. The trade unions are also worried that because of privatization, foreigners would leave workers in the lurch. This fear is not far-fetched, according to Ocvirk, because the Italian state, for instance, has adopted guidelines giving priority to the purchase of ironworks in the East because they are cheaper. There is also the question of how much our ironworks are even worth. Ocvirk says that obviously they are worth as much as someone will be willing to pay for them. It is hard to set a price for production that is operating at such a low capacity. We have to get as much as possible. It is planned that the state should nevertheless remain the owner of part of the ironworks, in order to protect its interests contractually, and that the ironworks should remain a stock company. That is why it also included safeguards in the international advertisement. In it, the management of the Slovene Ironworks is particularly requiring long-term investments from foreigners, along with the specification of a long-term production program that will make it clear how much, what, and how long they will produce steel here. In this regard, in the contract for such production they will also have to specify the minimum number of employees and guarantee their pay according to a collective contract. The state also has to agree to any additional curtailment in the number of employees. Otherwise, it could happen that a foreigner would buy our ironworks cheaply and then close it quickly so that it would not compete with his own.

Dr. Ocvirk's answer to the Greens is that the Slovene ironworks do not pay for energy as cheaply as they are

trying to prove. The aluminum industry gets is for 4 pfennigs. The results of analysis have shown that at the beginning of the year, the ironworks paid 8.5 pfennigs per kilowatt-hour for electricity, which is in the European range.

It is well-known that the ironworks have opposed and still are opposing any sort of demand for more efficiency in expenditures. For the same reason, some people are also against foreign owners, since they know quite well that then they will have to start operating according to European standards. It is not so well known, however, that some employees at the ironworks are now afraid of uncontrolled privatization by foreigners or even domestic managers, because they have already witnessed it in previous years. In fact, at the Jesenica ironworks some people are trying to prove that the ironworks has its own operations abroad, to which it is transferring its profits, while showing losses at home; that foreign firms like IDT, Robo, Voest-Alpine, and others have already been in the Slovene ironworks for some time; and that managers have privatized several shops at the ironworks.

The uncontrolled establishment of firms abroad is also shown by the decisions of workers' councils. It can be seen from them that two years ago the Jesenica ironworks invested 28 million lire in Italy's Robo, that four years ago it established a mixed enterprise in Germany, and three years ago a mixed enterprise with Americans, in which it invested \$2 million—at a time when the ironworks was showing its largest loss and workers were not being paid. None of the managers ever explained what the money approved by the workers' council was being spent on, but trade with these firms evaporated in time, and there has also been no sign of any earnings on the basis of the above-mentioned capital investments.

This is a matter for the judicial system, of course. The task of the Slovene Ironworks' management is to choose the bid for the sale of the ironworks that will be worth the most to the state. If you ask the workers at the ironworks whose hands their factories should be in, they will all answer you that they only want work, and decent pay for it, regardless of who owns the ironworks. This will also be worth the most to the state.

Prisoners, Doctor Interviewed at Manjaca Camp

92BA1382A Novi Sad MAGYAR SZO in Hungarian
24 Aug 92 p 4

[Article by Zoltan Nemeth; part nine of a 10-part series: "The Path to Uncertainty; Among Men With Lowered Heads; the Prisoner-of-War Camp Was a Cattle Barn; Doctors Are Also Prisoners; Statement of a Foreign Mercenary"]

[Text] I did not have to ask the commander of the prisoner-of-war camp what had been there before, because upon entering the huge building we immediately sensed that oxen had been kept there. The drinking troughs are still there. The stable has been swept clean. Six rows of prisoners sit on the ground. There is a blanket under each of them. None of them wears shoes; they are not supposed to wear shoes. They must put their shoes next to their blankets. They are not supposed to stand up except if so ordered, and they are not permitted to walk around. Every 20 minutes they allow 20 prisoners go to the toilet and to breathe fresh air.

"I Have Never Been a Soldier"

The people are skinny, their faces and eyes are emaciated. They sit quietly because they are not permitted to converse. All of them have their heads lowered; only a very few raise their heads to look at us.

I randomly picked a conversation partner. He tells me his name: Sead Ahmetagic from Bosanska Dubica.

[Nemeth] How long have you been here?

[Sead] Fifty days.

[Nemeth] Were you arrested at the front?

[Sead] No.

[Nemeth] In combat, in the course of the war?

[Sead] No.

[Nemeth] Where then?

[Sead] At home. I was at home when they came to pick me up.

[Nemeth] You were not fighting, according to what you just said.

[Sead] No. I have never been a soldier, because I was not fit to be a soldier. I never held a weapon in my hand.

[Nemeth] How are they treating you here?

[Sead] Well, badly.

[Nemeth] Are the guards beating the prisoners?

[Sead] They do, on occasion.

[Nemeth] Are they making you work?

[Sead] Yes.

[Nemeth] What is your work?

[Sead] We dig trenches, we load and unload things. We perform heavy physical work.

[Nemeth] What food do you receive?

[Sead] Bad food, and only a little of it. Virtually nothing.

The commander calls out. The half hour has expired, he orders us to leave the building. I glance at my watch. Not even 20 minutes have passed since we joined the prisoners.

Physicians Also Work Overtime

The physicians are our next subjects. In an ad hoc health clinic established in a building that looks like a garage we find a table, a cabinet with pharmaceuticals, and one sickbed, with a man lying on it. Prisoners sit in front of the door with lowered heads. One of them has his hand bandaged, the other has a red spot below his eye, the third prisoner sits barefoot....

I am conversing with physician Enis Sabanovic. He was brought to the camp from Sanski Most. Upon taking power, the Serbs made a public announcement asking anyone willing to aid in the situation to report at the police station. He reported and was brought here. He is a prisoner. He lives with them.

He ceaselessly praises the commander and the soldiers. He praises them aloud so that everyone can hear him. I understand the poor fellow. Even though a captive, he has it best, he is allowed to leave the fenced-in camp, he can perform his work, and can even have confidence that they are going to have mercy on him, that they are going to disregard the crime he has not even committed.

I am inquiring about the prisoners' health.

[Sabanovic] We examine 150-200 people here every day, but the commander is so nice that he permits overtime, i.e., we may help the people inside the camp. He even permits us to take pharmaceuticals inside. We check another 100 people at night and when we are not on duty. Whether the prisoners are beaten? No. There is no such thing here. The prisoners do not fight either. On occasion a person is injured at work, that's all. Three-fourths of the cases involve inflammation. Laryngitis, bladder infection, kidney infection. Serious cases are taken to the Banjaluka Hospital. I believe that it is important to state that thus far not a single patient of ours has died.

Man With One Ear Missing

I am inquiring about the patient in the bed, with a cast on his leg.

[Sabanovic] Go ahead, talk to him, he'll tell you who he is and how he got here.

He is a young man with a mustache and a beard. One of his ears was cut off. His leg is in a cast up to his hips. A journalist offers him a cigarette. He would have given him the whole pack. The commander puts him in his place: "Only one, only a single cigarette!"

[Glasnovic] I was eight years old when I moved to Canada with my parents. I was born in Zagreb, my name is Davor Glasnovic. I received an invitation from the Croatian Government to be hired at the Ministry of Information. They sent me to an officers' school upon my arrival in Zagreb, and from there for training to Hercegovina. They paid me \$80 per month plus room and board. They deployed me in combat in Hercegovina. I was wounded. Quite a few bullets hit my leg. I was unable to escape. The Serbs captured me. They cut my ear off and told me that they needed it for a trophy. They could have killed me, but they did not. Instead they handed me to the military. I spent my time in hospitals, most recently at the hospital in Banjaluka. I have been here for the past two months.

He speaks English. He does not speak the Croatian language.

On his way out, the journalist who had offered the cigarettes to the Canadian handed the pack to the sick people waiting outside. All of them jumped to their feet, and with hands shaking they virtually tore the cigarettes out of each others' hands. Some received a filter only, others obtained a few specks of tobacco. The thought occurred to me: What would have happened had we given bread instead of cigarettes to the starved prisoners?

Eyewitnesses to Celovina Prison Mistreatment

92BA1372B Belgrade POLITIKA in Serbo-Croatian
21 Aug 92 p 8

[Article by Nikola Asanovic: "Meeting With Exchanged Prisoners: Killing the Man Within"]

[Text] *Testimony of Dusan and Andja Zurovac, educators from Mostar; gratitude toward good Muslims whose names cannot be mentioned because of their own people.*

Bileca, 20 Aug—Right after arriving in Bileca, the prisoners released from Croatian prisons were given a moving reception on the main street. Relatives and friends were here, Bileca residents and refugees who had long since taken refuge here. Handshakes, embraces, tears, and sobs. A voice from a megaphone repeated, "If anyone knows anything about such and such, report to the monument." Those who did not find their people stayed on the street until late into the night, believing that someone would still come and confirm that their son, brother, or entire family was still alive.

Torture in "Celovina"

We spoke with Prof. Dusan Zurovac and his wife, Andja, also an educator, who were released in the exchange at Stoci.

"Don't get mad at me," Dusan says, "but I simply must say first of all that the two of us stayed alive thanks to our friends and the good Muslims." (He gives the names of well-known Mostar intellectuals, asking that we not print them for the sake of their own safety.) "Perhaps the time will come when we can say this publicly. After our arrest and 'processing' at the Economics Department, which has now been transformed into some sort of pretrial confinement facility, we arrived at the notorious 'Celovina.' Don't ask me to tell you about the unprecedented physical abuse and torture to which many also succumbed. The killing of our souls and the horrible degradation are much more serious. These are not concentration camps, but rather a Goli Otok. If you force young men to rape an old woman, then haven't you killed the human being inside him? If you use severe beatings to force someone to eat feces from the toilet bowl or to kiss the letter 'U' a hundred times, then haven't you stood up against dignity?"

We learned that there are three Serbs among the HOS [Croatian Defense Force—military wing of Croatian Rights Party], one of whom, Sergej Belovic, together with a certain Samardzic, even arrested the Zurovaces.

"At 'Celovina' the main torturer was Marko Milos, the son of the notorious Ljubo Milos, born right after the death of the well-known Ustashi," says Dusan Zurovac. "Right after the arrival of Franjo Boras on a visit to the prison, conditions improved somewhat, but there are still plenty of people suffering, especially old people."

Mostar Will Remain Ethnically Pure—Croatian

Asked whether Serbs will remain in Mostar after all this, Zurovac says, "I am quite certain that this is a case of ethnic cleansing; the prison administrator even acknowledged this to me openly. Maybe those Serbs who married Croatian women will stay, because most of them have signed statements of loyalty; their children have already been or will be baptized, and they themselves will also have to accept the Catholic religion. It must be emphasized that after the Serbs the same fate awaits the Muslims as well."

"In the women's camps," Andja Zurovac says, "where we worked at various jobs, the hardest thing for us was the frequent incursions by arrogant and drunken HOS members who dropped in whenever they felt like torturing Serb women. The guards, predominantly Muslims, neighbors and acquaintances, and powerless to protect us, nevertheless had a somewhat gentler attitude toward us. Naturally not all of them, but I cannot mention the decent exceptions because of their own people. Otherwise, these stories about naked Serbian girls 'playing' on the Old Bridge in front of drunken Ustasish are completely accurate. Rape and degradation are more than usual occurrences in Mostar."

From the people we interviewed, we also learned about the fate of the "peaceful people," as Zurovac says, quoting Bora Stankovic. All those who were previously

insane or otherwise unstable individuals are now wandering the streets of Mostar, many of them completely naked.

"What happens next?" we asked the Zurovaces.

"There are still around 3,000 to 4,000 Serbs in Mostar, either in prison or 'free.' As soon as our exchange was agreed to, a raid began at Bijeli Brijeg and in the Omlandinska Ulica neighborhood, in order that cells not be left empty and there not be vacancies in the 'work brigades.'"

On the marble plaque at the entrance to the town of Todorici, it says that 50 years ago Serbs exchanged prisoners with the Italians at that site. Who says that history does not repeat itself?

"If anyone knows anything, report immediately," says the voice from the megaphone....

Muslim Refugees Arriving in Montenegro

92BA1372A Belgrade POLITIKA in Serbo-Croatian
21 Aug 92 p 8

[Article by D. Becirovic: "Columns of Refugees From Bosnia-Herzegovina: Muslims Flee to Montenegrins"]

[Text] *If the world really wants to get a picture of the rights enjoyed by people in the Federal Republic of Yugoslavia, then it should consider the fact that Muslims make up the largest number of the refugees from Bosnia who have sought refuge among the Montenegrins.*

Podgorica, 20 Aug—The war has driven at least 70,000 unfortunate souls away from their homes in Bosnia-Herzegovina and into Montenegro. Columns of refugees, so to speak, arrive here every day, and nearly one out of every nine inhabitants of Montenegro is a refugee. The people have opened up their homes to them, sharing whatever they have, although there is not much here either, because in Montenegro itself around 10,000 families are at the level at which social assistance is needed. Around 65,000 unemployed people in Montenegro have no chance of getting a job for now. Somehow, Montenegro is enduring this without complaining. Perhaps this nation does not know how to scream for help.

Several days ago, the vice chairman of the Montenegrin Assembly, Dr. Asim Dizdarevic, pointed out to the mission of the International Red Cross a piece of information that such a highly humanitarian body should appreciate and point out to the world. Specifically, Dr. Dizdarevic said that of the 65,865 refugees registered in Montenegro at the time—the majority women and children—30 percent were Muslims.

Safe in Montenegro

"None of the refugees have been sent on from Montenegro; both the government and the citizens are trying to help as much as they can," Dizdarevic said.

The refugees say that they come here because this is the safest place for them and because the people here warmly open up their homes to them. If, for example, there are 5 percent more Muslim refugees in Montenegro than Montenegrins themselves, or 3 percent more than Serb refugees, then it is completely unnecessary to ask whether Muslims or people who are not Montenegrins, or Orthodox, or people with different religious or political convictions, are at risk in Montenegro.

If stories and even written appeals to various world conferences and institutions about some sort of danger in Montenegro, and thus in the Federal Republic of Yugoslavia, were true, then Muslim refugees from Bosnia in particular would not be drawn there as by a magnet. It is known that people flee from situations where life is endangered, leaving behind property and going to where it is safe. If the world really wants to get a picture of the rights enjoyed by people, citizens, in the Federal Republic of Yugoslavia, then it should consider the fact that Muslims make up the largest percentage of refugees in Montenegro. Any other assessment, without this fact, is dishonest and untrue, and is probably a fabrication aimed first of all at the Federal Republic of Yugoslavia, and then at all the refugees and all the people who have opened up their homes.

This information in the Bosnian media, in Croatian publications, and in the Western propaganda machinery has not been recognized for some time now. But everyone should be puzzled at the reason why Muslim refugees are fleeing Bosnia and swarming to Montenegro, and why these hysterical Muslim women and their children and old people do not believe Bosnian Minister Haris Silajdzic, who every day, wherever he arrives and wherever his voice reaches, says that the Montenegrins are a criminal people. Are these people drunk? As far as anyone knows, people have always fled the knife and mace, never in the opposite direction.

Different Reflections

Perhaps in Montenegro as well there are people who love no one, not even themselves, and perhaps so much economic pressure is one of the functions of an exhausting war. Perhaps one should also appreciate various objections: Why are Muslim refugees for the most part being sent to Plav, Rozaje, and Ulcinj, and could this make the structure of the population even worse, but it is a fact here that everyone in Montenegro is offered just as much as that republic can, regardless of who holds what religious and other convictions.

This opening up of a wide range of solidarity has prompted some opposition parties to warn that it is possible that people who have burned and slaughtered innocent people throughout Bosnia and who have armed and destroyed people and homes could be hidden among some of the refugees.

The leaders of the Serbian National Renewal [SNO] for Montenegro and Herzegovina, Nada Lazarevic, Zdravko Stanisic, and Ljuban Cukic, say that they have reliable

information indicating that the families of Haris Silajdzic and Ejup Ganic are in Belgrade. The two leaders—Bosnian Muslims—have moved their families there, to this Yugoslavia, which is “camp-like,” “murderous,” and “where there is no respect for human rights.” Could it be that they do not want them so much that they have sent them to the “gallows”?!

Or, the SNO leaders also allege that in some places of Montenegro there are green berets in hiding among the refugees. They include Mujo Katana, who is now in Pljevlja and who was one of the most prominent organizers of the green berets in Bosnia.

Perhaps the party leaders' information is incomplete; it is a fact, however, that columns of Muslim refugees from Bosnia are fleeing toward the Montenegrins. One does not flee into slavery.

Decision on 'Settling Situation' in Kosovo

92BA1379A Belgrade BORBA in Serbo-Croatian
22-23 Aug 92 p II

[Article by Zorica Banjac: “Conspiracy Under Suspicion; ‘Settling Situation’ in Kosovo”]

[Text] *While the attention of the entire Serbian public was focused on Assembly debate on “hot topics”—the Law on the University, the Law on Nationalizing POLITIKA—decisions were made by the same Assembly, at the same special session, without debate, and without media promotion and polarization between the government and opposition, on “settling the situation in Kosovo”; only readers of the usually well-informed SLUZBENI GLASNIK REPUBLIKE SRBIJE could find information about these decisions.*

SLUZBENI GLASNIK No. 50 of 25 July of this year reports that the National Assembly of (the Republic of) Serbia, during its second special session (on 22 July), decided to impose provisional measures on a number of enterprises in Kosovo: Planinka in Pec, the Rilindja commercial-publishing enterprise in Pristina, Ringov-Ciglana in Pec, Buducnosti in Srbica, the Sutjeska hotel and restaurant enterprise in Urosevac, Energoinvest in Pristina, Sara in Djeneral-Jankovic, and the Proleter youth cooperative in Pristina.

These enterprises are engaged in various activities, but through the decision by the Republican Assembly, certain similarities were established in them: In all of them, specifically, the Albanian director was suspended and replaced by a provisional management body consisting exclusively of Serbs and Montenegrins.

The same explanation is provided for all these decisions: that interethnic relations were disrupted in the collective where the provisional measures are being introduced and that decisions were made by Albanian workers outvoting Serbian workers. It is ridiculous to draw conclusions about a conspiracy to outvote, against which

the Assembly measures are directed, under circumstances where there is an actual majority of Albanians in collectives: At Rilindja, for example, 19 of the 209 employees are Serbs, at Ciglana only 40 of the 800 workers are Serbs and Montenegrins, etc.

Nevertheless, the deputies in the Serbian Assembly, at the suggestion of their government, raised their hands for the solution offering the introduction, contrary to the majority Albanian quorum in the collectives, of some sort of Serbo-Montenegrin commissar administration, the exclusive task of which is to “stop” the monoethnic majority. The measures carried out are obviously and profoundly out of line with official assertions concerning European standards for the rights of Albanians in Kosovo and with assurances given by domestic “structures” to countless European commissions concerning the opportunities enjoyed by Albanians to participate equally in public life and their rejection of these invitations.

The attempt to reduce the problems of Kosovo collectives (where, according to the explanation of the Assembly decisions, production is dropping, goods are not being sold, and wages have not been paid for several months) exclusively to the problem of outvoting (under circumstances where, objectively speaking, a “Serbian majority” cannot be ensured) attests to the disregard for political realities in Kosovo.

This is because it is hard to imagine that the measures voted for are economically sound and in the interest of all employees, if Serbian and Albanian workers were even tempted to classify themselves ethnically, to their own detriment.

The number of provisional measures introduced in Kosovo on only one working day of the Assembly and the explanations provided for them speak more eloquently about the intentions of present-day policy than any commentator could.

Such as they are, however, these measures surprise few people and prompt few people to criticize their proposers. The so-called democratic public of Serbia, in the government and in the opposition, which has lately been so fervent in its support of freedom of the press, obviously feels that freedom of the press is possible in a society in which a million and half people of another nationality live under a regime of provisional measures.

Sweden Expels Albanian Refugees From Kosovo

92BA1360A Paris LE MONDE in French 21 Aug 92 p 3

[Article by Francoise Nieto: “Sweden Expels Albanian Refugees From Kosovo”]

[Text] In July, after having received almost 48,000 refugees from the former Yugoslavia since the start of the civil war, Sweden began repatriating Albanians from Kosovo, who, by themselves, account for 60 percent of asylum seekers. The National Immigration Office

believes that most of them do not have sufficiently solid grounds for remaining in Sweden since their region of origin has not been touched by the conflict.

To justify their actions, the Swedish authorities cite the late June report of the United Nations Office of the High Commissioner for Refugees (HCR), which states that the "temporary" asylum which the UN organ recommends granting refugees from the former Yugoslavia does not extend to inhabitants of Kosovo, who are fleeing for reasons other than the war.

The massive influx of Kosovans was encouraged by Sweden's adoption last November of a measure suspending all decisions on expulsion. However, this measure was lifted for refugees from Slovenia and Macedonia in February and for those from Croatia, Serbia, and Montenegro in May—in short, for all refugees from the former Yugoslavia except residents of Bosnia-Herzegovina. In June, Sweden received several hundred Macedonians attracted by false promises of residence and work permits advertised by local travel agencies. They have already been repatriated, some more quickly than others (some chose to leave voluntarily). In order to discourage further applicants, the Swedish embassy in Belgrade ran a full-page notice in Skopje's leading daily newspaper, NOVA MAKEDONIA, denying all the rumors of easy immigration to Sweden and indicating the current rules for qualifying for asylum.

Hostile Propaganda

The refugee issue should be debated this fall by the Swedish Parliament in the context of the recommendations of the High Commissioner for Refugees. Meanwhile, it is being duly exploited by the populist New Democracy Party, which has been putting out propaganda resolutely hostile to the reception of refugees. This campaign reflects and heightens the irritation of a segment of the population that finds it hard to accept refugee reception centers in their neighborhoods.

In a letter to the minister of immigration, Mrs. Birgit Friggebo, the conservative mayor of one of Stockholm's northern suburbs threatened to close a reception center for Albanians from Kosovo if the authorities did not expel them immediately. A large number of complaints have been filed against them for theft in local shops. "It is undeniably a problem. Apparently, there is a kind of tradition or something of the sort that makes them more inclined to steal than other refugee groups," the minister said Wednesday evening on Swedish television. The ombudsman for discrimination immediately denounced the "provocation of hatred for an ethnic group." During the same program, a Social Democrat county official from the south of Sweden who is demanding a referendum on the housing of refugees from the former Yugoslavia in his county explained that "Sweden does not have the resources" to support its immigration policy. "Our province has received refugees and continues to do so, but I wonder whether the people now arriving from the former Yugoslavia are true refugees.

The resources devoted to them here would be better used to help them there, at home, as the Danes are doing."

'Wise' Policy on Serbs in Croatia Urged

92BA1359E Belgrade VREME in Serbo-Croatian
17 Aug 92 pp 33-35

[Article by Mirko Mlakar: "The Serbs in Croatia: Proving Innocence"]

[Text] Our newsman Mirko Mlakar has just returned from Italy, where he had a fellowship from the Foreign Ministry there. Under one of the programs of the "Hexagonale" (Central European Initiative), he spent several months at the Institute for Journalism in Urbino. Not counting Italian men and women, his group included one newspaperwoman from Belgrade and journalists from Warsaw, Prague, and Budapest. He visited Bologna, Rome, Milan, Genoa... and also Split....

An enormous apartment building on Split Three. A store on the ground floor. The sign reads DISCOUNT SALE. Beneath it, the scribbled addition—SERBS. The "wit" disappears 100 meters further on: at the entrance to the "military" skyscraper in big letters, "loud and clear," the words DEATH TO THE SERBS.

Several thousand former officers of the JNA [Yugoslav People's Army] and members of their families live in that building and in the neighborhoods of the new part of Split. They have not been receiving their pensions since the end of last year. They would have received a certain advance if they had their certificate of origin. And they would have obtained their certificate of origin more easily, after only a few months' wait, if a large segment of them had not been "controlled," that is, if their telephone service had not been suspended.

It is said that there are about 15,000 retired military people not receiving their pensions in Croatia. The state seems to have been concerned not to be accused of discrimination against elderly Serbs; the status of a large number of military pensioners of Slovene or Macedonian nationalities has also remained unresolved. Until the matter is settled or until they die, the 70-year-old colonels or frigate captains stand in line for packages of humanitarian aid in local communities or through Caritas.

Thousands of families have been separated. If the father or son goes off "to the other side," the innocent children are forced to renounce their "Chetnik daddy," spouses are advised to get a divorce, and after that they might possibly qualify for a pension, social insurance, and health insurance, etc. Entirely loyal Serbs also have great problems. Thus, Milan Djukic, a high-level government official and president of the Serbian National Party [SNS], says that his family does not have the certificate of origin and that he himself has obtained a "temporary transfer of citizenship." His son has received a draft call

to do his military service in the Croatian Army, although without a certificate of origin he is not even a "true" citizen of Croatia!

The Justice of the Individual

The government and the supreme command, Djukic says, have never stood behind procedures that restrict the rights and freedoms of Serbs in Croatia, but neither have they taken a clear stand in connection with terrorist assaults on the lives and property of Serbs. Certain legal bodies of government at the lower level have supported terrorism. Even when it is not a question of murder or moving into the dwellings of Serbian owners illegally, Djukic, Vojislav Pejnovic, Miklan Skoric, and others from the SNS speak about countless "little crimes." For example, a 10-year-old girl driven out of Vukovar is required to prove that she was not a Chetnik! Another aspect that is troublesome for the Serbian National Party is that nothing is said about the return of the Serbs: There are about 200,000 of them outside Croatia. Some would return, even at the price of going to jail (there have already been such cases). The SNS is not issuing warnings only concerning the shameful position of retired military men—which led two to commit suicide, but also, for instance, to Croatian soldiers of Serbian nationality whose exchange the government has not demanded, so that they are still prisoners of war held by the Serbs. "If that is how the homeland repays them today, that homeland is working against itself," Skoric said. In short, the SNS says that the Serbs in Croatia are being subjected to discrimination in an open, terrorist, and perfidious form, and at the same time the dark cloud of collective responsibility of Serbs hovers over everything. Djukic said 50 days ago that if such policy continues, the Serbs will go to the Krajina. That was a rhetorical figure of speech meant to point up the difficulty of the position, not to state an actual intention. After all, if Djukic and the other "Tudjman's Serbs" actually did go over to Knin or Banjaluka, it is more than probable that they would be welcomed there with prison or even a bullet.

Gojko Bulovic did not get a bullet. Death came in Split from beating. The late employee of "Skver" (shipyard) was in a group of some 10 Serbs arrested because of warranted suspicion that they had organized illegal armed groups. Prof. Nikola Viskovic, (at the time) a deputy in the Croatian Assembly, played a particular role in raising the dust concerning Bulovic's death from physical injuries received; he placed this case in the context of Split as a lawless city. At the same time, Ivan Simic, military prosecutor, declared: "If it is a case of an individual military policeman or prison guard exceeding authority, and it is possible that that is actually what is involved, we will undertake criminal prosecution and he will get the punishment he deserves. However, even if it was a question of that, it must not be built into a mental attitude about a city in which lawlessness allegedly prevails, because that is not true, and I do not know why Viskovic had to go and create an entire trend from one isolated case in Split, the only one since the beginning of the war."

Petak Sunjic, a prestigious lawyer in Split, also believes that Split is a lawless city, but that the citizens, in view of everything the war has brought, are incomprehensibly tolerant. There were excesses like Bulovic's beating, Sunjic continues, even before, at the time when Viskovic had more decisive power. "If there is any uncertainty, then it might be the consequence of the general circumstances caused by the war, certainly not because the government is threatening anyone." Here is a bit more of Sunjic: "Aside from the cases of excess, I have not seen any sizable number of dismissals from employment, and there have been more Croats laid off both in absolute terms and in percentages.... It is understandable that the number of Serbs who have lost their employment also resulted from their high numerical proportion in certain services, the police, for example, and it is well-known that individuals have themselves left jobs and gone off to the barricades. I am afraid, however, that little attention is paid to that, that certain circumstances, primarily military circumstances, that have been imposed on Croatia, for example, the general amnesty, will result in a situation where Croats individually are seeking justice, specifically that Croatian soldiers will do this when they know someone has burned a house, when they know that someone has committed a murder or massacre, but the world will force Croatia to grant amnesty. I know of the case of a Croatian soldier who killed a Serb and who said that he is not a murderer, that he saw his dead colleagues, friends, and that this person said to him in a cafe 'I am a Serb, I am in favor of Yugoslavia, what good is that uniform going to do you?' And he just lost his head."

Raising One's Head

"As a man from Drnis whose house was momentarily occupied by the Chetniks, it seems to me that I can better understand the complicated feelings of those driven out than those whose regions have been left untouched by the war," says Drzen Budisa, president of the Croatian Social Liberal Party [HSLP], the strongest opposition party. "Those Serbs who left Drnis together with the Croats—I could always live with them. But I could hardly live with those who murdered people close to me. However, I am resolved in my belief that the attitude toward the Serbian community in Croatia cannot be based on revanchism. Here, I agree entirely with Cardinal Kuharic, who recently declared that every bomb placed in a Serbian house is a bomb planted against Croatia. As for certain objections, for example, those coming from Mr. Milan Djukic, president of the SNS, to the effect that the Croatian political parties were not resolved enough in the battle for the rights of the Serbian community, I would mention that this issue can be resolved only in the overall, as the right of all citizens of Croatia. I agree with him that the law-governed state is not functioning, but it is not functioning not only because the rights of citizens of Serbian nationality are being violated, but because the rights of all citizens are being violated, and because there are no rights whatsoever in the occupied parts of Croatia."

Goran Pavlov, member of the Central Committee of the incumbent Croatian Democratic Community [HDZ] and chief inspector for the police reserves in Dalmatia, displays a similar "civil" attitude toward the Serbs: "I am for life together with people who recognize Croatia as their homeland. The Serbs represent 3.8 percent of the population in Split. That is a negligible minority, and Split is the most Croatian city, not Zagreb. Why mention such a minority, in Split there are even more Albanians! Why are we not talking about living together with the Albanians?! It is more interesting for me to talk about living with the Albanians or, still more interesting, about living with the Muslims. They are our brothers on the basis of language and now brothers in arms. As for living with the Serbs, they are like all citizens of Croatia. I am not for persecutions, least of all women, children, and the elderly, but at this point there is no purpose in putting that question at the focus of events. It seems that such questions are now being artificially inflated," says Major Pavlov, and then he went on to his conclusion: "What Serbs in Split are you talking about, where were they in defense of the city, where were they in the first units of the Croatian Army?! Some of them gathered and went away. All the Serbs should fit into the Croatian body politic and live like normal people, but they certainly should not be given any particular significance! The Serbs cannot have greater rights than the Croats, and I think that they ought not to raise their head very high, because they have done nothing for the Croatian cause or have done very little."

And the Serbs, at least in Split, are far from raising their head at all, and the right they particularly exercise is the right to silence. Even those lads who have fought or are still fighting in the Croatian Army. Or at supper in a restaurant, you ask someone you have known for a long time, when no one else is present, whether he belongs to the Hercegovina or Montenegrin branch of some particular family tree, and he says that he will give you an answer during the next Olympic Games. Four years of concealing the Serb content of a surname, which, fortunately, is one that also occurs among Croats. Four years of "internal emigration" of a man I was with during eight years of school. Is he an optimist, a pessimist, or a realist? And will he reveal his "secret" to me in Atlanta (Georgia, United States)? If at that point they are still receiving refugees from the former Yugoslavia....

Without Analyses

But the problem is not just the Serbs in (specifically) Split, but the problem is mentioning anything Serbian. It is no longer amazement, horror, anger, hatred, but it has gone to the point where anything associated with the Serbs is deleted, people want to forget it. They even reproach SLOBODNA DALMACIJA because it reports rather regularly on the situation in Serbia. People simply do not want to trouble their heads with differences among Matija Beckovic, Nebojsa Popov, and Vojislav Seselj. They are all the same to them, because the results of the "watershed events" in Serbia have already disappointed them so many times (celebration of the first

anniversary of the 9 March demonstrations, Panic's arrival, the Saint Vitus' Day assembly...). The waging of war has not ceased, Croatia is not sovereign in its internationally recognized borders.

"In the states against which Serbia has been waging war, no one any longer has a desire to analyze which Serbs have participated in this war body and soul, and which only with the body or only with the soul," writes the newsman Zeljko Zutelija, expressing what might be established as the basic line of thinking even in Split. "If they ever again want to have normal relations with anyone, the Serbs will have to be those who will have to prove that they did not participate in the national atrocity. And they will be lucky if anyone believes them."

A reader (Croatian) reacted, perceiving Zutelija's words in SLOBODNA DALMACIJA as a call for a lynch mob: "This is a cry for collective guilt, this is a demand to answer madness with madness," because "civilization in the last decade of the 20th century, Europe and its legal systems, and the young Croatia is one of them, say—the guilty person is the one whose guilt is proved, not the one who does not prove his innocence (turn it around, and you get Vishinsky)." Zutelija answered that he was not saying that the Serbs must prove themselves or justify themselves in a court, but in everyday life. The SLOBODNA columnist believes that the Serbs who are citizens of Croatia must prove themselves to the state of Croatia, must demonstrate loyalty to it. After all, "without abundant and very firm collaboration with the Croatian Serbs, Serbian-Montenegrin aggression against Croatia would not be possible. War is being waged on Croatian territory, a third of which is occupied even today, although Croatia has been an internationally recognized state for months now. It would be very naive to believe that only a few Serbs gone mad and led astray have taken part in that occupation," Zutelija wrote.

So far, over 4,000 dead have been identified, 21,000 people have been wounded, 14,000 are listed as missing, 200,000 dwellings have been destroyed or damaged, two-fifths of industry has been incapacitated, the property damage is estimated at two years of national income, there are over 600,000 refugees and people driven from their homes.... Under those conditions, it is usually seen as an unpatriotic act to point to any violation of the rights of the Serbs in Croatia. It is shameful to call attention to any problem there on the part of certain Serbs there, when thousands of widows and orphans of Croatian fighters are receiving assistance in the amount of some 20 marks and do not have a place to live. It is, of course, the easiest thing to ride a scapegoat and just grab a "Serb" apartment. In these times, it is not easy even for the war profiteers: in the morning, they are in one, in the afternoon in another, and in the evening in "their own" third apartment. Of course, the wife, the children, and close relatives of the gentlemen "you are on your own, comrade," must visit the apartments that belong to them. A law-governed state? Quite often the system in Osijek is followed: Several people were arrested after

planting explosive charges, but they were soon released. Well, they will probably be arresting "ours" (Croats).

"The shell which came from the Chetnik support point did not have the name of the sender written on it, but its nationality was clearly recognizable," fellow journalist Zutelija has written. "Criminals will not escape punishment, and probably a few innocents will also suffer." That journalist does not believe that Croatia should now distinguish those who committed crimes from innocent people of a certain nationality. At the same time, Prof. Ivo Banac, who did a great deal for the Croatian cause while in America, holds that the "attitude toward the Serbs will be a measure of Croatian democracy," that is: "The Croats will have just as much freedom as the Serbs do."

Croatia gained international recognition as a state with relative ease, but it still has a long road ahead to full international recognition. For example, Germany, like the Croatian "Medjugorje Madonna," has "cooled off" in its sympathies for the small state from the Adriatic to Pannonia. It wants Croatia to begin to repay what has

been invested with a market economy, a law-governed state, and a civil society. Even the Vatican (Holy See) is looking at Croatia very carefully, even sending warnings related to the Serbian minority. Croatia has simply been bypassed in certain international programs. Not because of the position of the Serbs in it, but certainly because of the "rating," which is also low because of the feeble level of the law and justice, which, once again, the Serbs in particular have the satisfaction of feeling, i.e., of putting up with.

Radical, extremist attitudes (for example, the proposals of the Croatian Rights Party [HSP] concerning the Croatian Orthodox Church) have been elegantly overcome on the Croatian political scene, but creation of a wise policy still lies in the future. Not out of some love for the Serbs, but out of interest. Put simply, if Croatia is again to be able to shout "Danke, Deutschland," the Germans (and the rest of the West) will first have to hear the Serbs there express gratitude to the Croatian state. And how will it be in real everyday life? It might be a start to erase the graffiti.

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